

UGANDA MARTYRS UNIVERSITY
FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT
ADVANCED AND PUBLIC SECTOR ACCOUNTING EXAMINATION
BAM III (ACCOUNTING OPTION)
COURSE CODE: ACC:3207
DATE: 11th August 2015
SUPPLEMENTARY/SPECIAL EXAMINATION

Instructions: read and understand the instructions appropriately

- i. The examination has Six (6) Questions.
 - ii. All questions carry equal Marks; details of allocation are provided in the individual questions.
 - iii. Attempt any Four (4) questions. At least one question from each section
 - iv. Do not write in the question paper.
 - v. Additional instructions are provided in the answer booklets.
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QUESTION ONE

- a) IPSAS 1 provides guidelines for financial reporting in the public sector where accrual basis accounting is used. You have been hired by a government department to advise on the key issues provided by the standard
- b) IPSAS 3 guides on the procedure for accounting policies, changes in accounting estimates and errors during the writing of accounts for a government department. Comment.

QUESTION TWO

- a) Identify and explain the major books of accounts maintained in government accounting department
- b) Use the following information to post the vote books of the respective vote holders;

| Vote holder | Approved budget ('000) | 1 st quarter ('000) | 2 nd quarter ('000) |
|---------------------|------------------------|--------------------------------|--------------------------------|
| Ministry of Lands | 630,000,000 | 150,000,000 | 200,000,000 |
| Ministry of Tourism | 370,000,000 | 100,000,000 | 98,000,000 |
| Ministry of Energy | 2,800,000,000 | 900,000,000 | 1,000,000,000 |
| Mbarara DLG | 35,000,000 | 7,000,000 | 8,000,000 |
| Arua DLG | 32,000,000 | 6,000,000 | 5,000,000 |
| Kotido DLG | 16,000,000 | 4,000,000 | 5,000,000 |
| Mukono DLG | 36,000,000 | 8,000,000 | 9,000,000 |

- c) Advise the budget holders about the performance of their respective votes

QUESTION THREE

BAM Ltd has prepared its draft trial balance to 30th June, 2011, as provided below;

| Details | UGX'000 | UGX'000 |
|---|----------------|----------------|
| Freehold land | 2,100 | |
| Freehold building (cost UGX 4,680) | 4,126 | |
| Plant and Machinery (Cost UGX 3,096) | 1,858 | |
| Fixtures and Fitting (Cost UGX 864) | 691 | |
| Goodwill | 480 | |
| Trade receivables | 7,263 | |
| Trade payables | | 2,591 |
| Inventory | 11,794 | |
| Bank balance | 11,561 | |
| Development Grant received | | 85 |
| Profit on sale of Freehold land | | 536 |
| Sales | | 381,600 |
| Cost of sales | 318,979 | |
| Administration expenses | 9,000 | |
| Distribution costs | 35,100 | |
| Directors' remuneration | 562 | |
| Bad debts | 157 | |
| Auditor's remuneration | 112 | |
| Hire of plant and machinery | 2,400 | |
| Loan interest | 605 | |
| Dividend paid during the year-preference | 162 | |
| Dividend paid during the year-ordinary | 426 | |
| 9% Loan | | 7,200 |
| Share capital-preference shares (treated as equity) | | 3,600 |
| Share capital-ordinary shares | | 5,400 |
| Retained earnings | | 6,364 |
| | 407,376 | 407,376 |

The following information is available:

- The authorised share capital is 4,00,000 9% preference shares of UGX 1 each and 18,000,000 ordinary shares of 50 cents each.
- Provide for depreciation at the following rates;
 - Plant and machinery 20% on cost
 - Fixtures and fittings 10% on cost
 - Building 2% on cost

Charge all depreciation to cost of sales

- Provide UGX 5,348,000 for income tax
- The loan was raised during the year and there is no outstanding interest accrued at the year end.

- e) Government grant of UGX 85,000 have been received in respect of plant purchased during the year and are shown in the trial balance. One-fifth is to be taken into profit in the current year.
- f) During the year, a fire took place at one of the company's depots, involving losses of UGX 200,000. These losses have already been written off to cost of sales shown in the trial balance. Since the end of the financial year a settlement of UGX 150,000 has been agreed with the company's insurers.
- g) UGX 500,000 of the inventory is obsolete. This has a realizable value of UGX 250,000.
- h) Acquisition of property, Plant and equipment (UGX 173,000), Fixtures (UGX 144,000) occurred during the year.
- i) During the year, freehold land which cost UGX 720,000 was sold for UGX 1,316,000.
- j) A final ordinary dividend of 3 cents per share is declared and was an obligation before the year-end, together with the balance of the preference dividend. Neither dividend was paid at the year-end.
- k) The goodwill has not been impaired,
- l) The land was revalued at the year end at UGX 2,500,000

Required:

- i. Prepare a statement of comprehensive income for the year to 30th June, 2011 in accordance with IAS **(15 Marks)**
- ii. Prepare statement of financial position in accordance with IAS **(10 Marks)**

QUESTION FOUR

- a) IAS 18 sets out the criteria for dealing revenues from **goods** and **services**, specifically it provides for recognition according to the stage of completion. Set out the condition which must be met in each instances **(10 Marks)**
- b) Explain how Interests, Royalties, and Dividends are recognized and disclosed **(5 Marks)**
- c) Explain the classification, measurement and presentation criteria for non-current assets held for sale **(10 Marks)**

QUESTION FIVE

- a) Explain control and how it is evidenced in accordance with IFRS3 **(7 Marks)**
- b) On 1/1/2014 **A Ltd** acquired 100% of 100,000 UGX 50 Ordinary shares in **B Ltd** for UGX 70 per share in cash and gained control. The fair value of the net assets of **B Ltd** at the date was the same as the book value. The individual statements of financial position of the two firms is presented as follows;

| Details | A Ltd ('000) | B Ltd ('000) |
|---------------------|--------------|--------------|
| Non-Current Assets | 200,000 | 100,000 |
| Current assets | 2,000 | 800 |
| Current liabilities | 1,800 | 600 |
| Share capital | 100,000 | 50,000 |
| Retained earnings | 100,200 | 50,200 |

Required:

Prepare the necessary entries and accounts (7 Marks)

Prepare the Financial Position of the Group (8 Marks)

QUESTION SIX

- a) BTX Ltd plans to start juice processing in Kampala in the next six months. Part of the plan involves; acquisition of a processing machine, accessories, and processing license. Details of the costs include;

| Item/activity | Cost ('000) |
|--|-------------|
| Machinery from Italy | 20,000,000 |
| Transportation to Mombasa | 2,000,000 |
| Insurance | 1,000,000 |
| Accessories | 500,000 |
| Training of operators | 250,000 |
| License | 100,000 |
| Membership to manufacturing organization | 50,000 |
| Installation | 280,000 |
| Land | 1,200,000 |
| Premium | 20,000 |

Required:

Establish the cost of the machinery in accordance with IAS 16

(8 Marks)

- b) Present the guidelines provided by IAS 16

(7 Marks)

- c) Explain impairment in accordance with IAS 5, and provide the criteria followed in computing and apportioning impairment loss

(10 Marks)