

UGANDA MARTYRS UNIVERSITY

**FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT**

DEPARTMENT OF ACCOUNTING AND FINANCE

**CODE: ACC 2206 COURSE: INTERMEDIATE ACCOUNTING II
EVENING (RUBAGA)**

Date: 2nd/05/2019

Time allowed: 3 hours

Instructions to candidates:

Read the following before answering the examination questions

- 1) Do not write anything on the question paper
 - 2) Write neatly and show all workings.
 - 3) Every question attempted should be started on a new page
 - 4) Attempt any four questions.**
 - 5) All questions carry equal marks.
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QUESTION ONE

Discuss the following in relation to companies, providing details of content and examples where applicable:

- (i) Promotion (5 marks)
- (ii) Articles of association (7 marks)
- (iii) Bonus issue (5 marks)
- (iv) Types of preference shares (5 marks)
- (v) Effects of a valid forfeiture (3 marks)

QUESTION TWO

Beauty company ltd was formed with authorized capital of \$ 600,000 divided into 1200 ordinary shares of \$500 each. The company issued 1,000 shares for public subscription payable as follows.

Application	\$100 per share
Allotment	\$300 per share (including premium)
First call	\$150 per share
Second and final	\$ 50 per share

Applications were received for 1500 shares and the directors decided to return money for 100 shares and to allot the remaining shares pro rata.

All allotment and calls money were received in full with the exception of:

- 1. Danton who held 100 shares and failed to pay both 1st and 2nd calls money
- 2. Hurry who was allotted 50 shares and failed to pay second and final call

The directors decided to forfeit the shares allotted to Danton and later re-issued the shares at \$ 300 each to Joan

Required

The necessary Ledger accounts to record the above transactions and an extract of the Statement of financial position (25 marks)

QUESTION THREE

- a) The following balances were extracted from the books of Bandung Company Ltd after determination of net profit from partially prepared statement of comprehensive income for the year ended 31st December 2017

	Dr (\$)	Cr (\$)
Called up share capital:		
9% Preference share capital		50,000
Ordinary share capital		100,000
7½% Debentures		20,000
Goodwill at cost	20,000	
Land and Buildings at cost	80,000	
Machinery at cost	60,000	
Motor vehicles at cost	40,000	
Furniture and fittings	20,000	
Provision for depreciation;		
Motor vehicles		24,000

Machinery		20,000
Land and Buildings		8,000
Furniture and fittings		6,000
Inventory	25,000	
Auditors remuneration unpaid		5,000
Preliminary expenses	4,000	
Prepaid insurance	2,000	
Provision for doubtful debts		1,550
Debenture interest unpaid		750
Accounts receivables and payables	31,000	18,000
Bank	12,400	
General reserve		10,000
Retained profits (Accumulated profits)		3,600
Net profit for the year		37,000
Interim dividends paid		
Ordinary	5,000	
Preference	4,500	
	<u>303,900</u>	<u>303,900</u>

Additional information

- i. The authorized share capital of the company is \$300,000 divided into 20,000 ordinary shares of \$ 10 each and 20,000 Preference shares of \$ 5 each
- ii. The directors have decided to:
 - Write off the whole of preliminary expenses;
 - Write off 25% of goodwill;
 - Propose a final dividend of 5% on ordinary shares as well as the balance of the preference dividend; and
 - Transfer \$ 3,000 to general reserves
- iii. Provide £ 2,000 for corporation tax

Required

Prepare a statement showing the appropriation of profits for the year ended 31st December 2017 and the statement of financial position as on that date (25 marks).

QUESTION FOUR

The following trial balance was obtained from WIKI Ltd with head office in Kampala and a branch in Nebbi as at 31/12/2017.

	Kampala		Nebbi	
	Debit (£)	Credit (£)	Debit (£)	Credit (£)
Property, plant and equipment	766,000		76,000	
Share capital		600,000		
Administrative costs	270,000		18,000	
Branch current account	92,000			
Head office current account				48,000
Cash at bank	38,000		4,000	
Accounts payable		45,000		10,000
Accounts receivable	30,000		40,000	
Goods sent to branch		332,000		
Provision for unrealized profit		3,000		
Retained profits		56,000		
Distribution cost	60,000		24,000	
Purchases	450,000		308,000	
Sales		700,000		430,000
Stock at cost	30,000		18,000	
	1,736,000	1,736,000	488,000	488,000

Additional information

- 1) Goods purchase by head office and sold to the branch are transferred at cost plus 20%
- 2) Stock on 31/12/2017 was valued as follows
 - Head office at cost £40,000
 - Branch at selling price £48,000
 - Goods in transit to branch at cost £ 24,000
- 3) On 31/12/2017 the branch had transferred £ 20,000 to the head office bank account but on that date no record had been made in the head offices` books.

Required:

- i. Statement of comprehensive income for the head office and the branch for the year ended 31/12/2017 (13 marks)
- ii. A combined statement of financial position for the head office and the branch as at 31/12/2017 (12 marks)

QUESTION FIVE

The following information relates to the financial statements of Alpha company ltd.

Comparative Statements of financial position As at December 31st 2015 and 2016

Non-current assets	2015 \$'000		2016 \$'000	
Land and building		800,000		855,000
Furniture, fixtures and fittings		90,000		76,500
Preliminary expenses		21,000		14,000
		911,000		945,500
Current assets				

Inventory	532,500		596,300	
Accounts receivable	217,300		234,200	
Cash at bank	115,200		162,000	
Cash in hand	18,200		13,400	
Advance payment of income tax	<u>255,000</u>	<u>1,138,200</u>	<u>270,000</u>	<u>1,275,900</u>
Total asset		<u>2,049,200</u>		<u>2,221,400</u>
Equity and liabilities				
Share capital		1,000,000		1,100,000
Share premium		-		30,000
General reserve		<u>400,000</u>		<u>501,000</u>
		1400,000		1,631,000
Current Liabilities				
Accounts payable	267,200		177,400	
Outstanding expenses	30,000		35,000	
Provision for income tax	252,000		268,000	
Proposed dividend	<u>100,000</u>	<u>649,200</u>	<u>110,000</u>	<u>590,400</u>
Total Equity and liabilities		<u>2,049,200</u>		<u>2,221,400</u>

Statement of comprehensive income
For the year ended 31/12/2016

	\$
Sales	4,637,200
Cost of sales	<u>(3,721,200)</u>
Gross profit	916,000
General operating expenses	(317,500)
Depreciation on Land and building	(45,000)
Depreciation on Furniture, fixtures and fittings	(8,500)
Loss on disposal of furniture	(2,000)
Preliminary expenses amortized	<u>(7,000)</u>
Profit before income tax	536,000
Provision for income tax	<u>(268,000)</u>
Net Profit after tax	268,000
Provision for income tax (2015)	<u>(2,000)</u>
Interim Dividend	<u>(55,000)</u>
Proposed Dividend	<u>(110,000)</u>
Transfer to general reserve	<u>(101,000)</u>
Retained earnings for the year	<u>NIL</u>

Additional Information:

- (i) Liability for income-tax for the accounting year 2015 was fixed at \$.254,000 and hence, a refund of \$.1,000 was received out of the advance tax paid for that year.
- (ii) Book value of furniture sold during the year was \$.5,000.

Required

Prepare a statement of cash flows using the indirect method for the year ended 31/12/2016
(25 marks)

QUESTION SIX

- a) Explain the different types of debentures that a company can issue to the public. (7 marks)
- b) Examine the distinction between shares and debentures (10 marks)
- c) BACK Ltd was registered with 1,000,000 shares of \$ 15 each. The company issued 900,000 shares at par payable as follows: \$ 5 on application, \$ 5 on allotment and the balance shared in the ratio of 3:2 for 2 calls. The public had subscribed for 850,000 shares and calls were made up to only first call. All the shareholders had paid up except Mr. Idle, a holder of 25,000 shares, who failed to pay the call money.

You are required to calculate the following: (8 marks)

- i. Authorised share capital
- ii. Issued share capital
- iii. Subscribed capital
- iv. Called up capital
- v. Paid up capital
- vi. Share premium (assume the issue was at a premium of \$ 2 per share)

END