

UGANDA MARTYRS UNIVERSITY
FACULTY OF BUSINESS ADMINISTRATION & MANAGEMENT
DEPARTMENT OF ACCOUNTING & FINANCE

FUNDAMENTALS OF ACCOUNTING 1

Final Examination Semester One

2021 - 2022

YEAR ONE Nkozi & Lubaga Day students

Date: 9th March 2022

Time: 3HRS: 15 Minutes

Instructions

1. Show all the necessary workings.
 2. Section A is **compulsory** and carries 40 marks.
 3. Attempt **any three questions** of your choice from section B.
 4. The 15 minutes are for reading through the question paper and make choices
 5. Be neat and orderly in your presentations
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SECTION A (COMPULSORY)

You are a newly employed Accounts Assistant of Barnabas, a sole proprietor in Nakawa market. The previous Accounts assistant extracted the following trial balance from the account books on 31st December, 2018.

Details	Debit (Shs)	Credit (Shs)
Sales and Purchases	7,200,000	12,000,000
Machinery	5,000,000	
Motor vehicles	1,600,000	
Inventory (1/1/2018)	500,000	
Returns	800,000	400,000
Discounts	100,000	80,000
Wages and salaries	1,200,000	
Carriage inwards	50,000	
Carriage outwards	60,000	
Postages and telephone	150,000	
Water and electricity	172,000	
Bad debts written off	30,000	
Provision for bad debts		20,000
General expenses	170,000	
Rent and rates	300,000	
Accounts receivable and Accounts payable	1,100,000	932,000
Cash in hand	120,000	
Cash at bank	600,000	
Provision for depreciation: Machinery		400,000
Provision for depreciation: Motor vehicles		320,000
Capital	—	5,000,000
	19,152,000	19,152,000

Additional information on 31st December 2018

- i. Accrued rent is Shs 60,000 and prepaid rates is Shs 20,000
- ii. Outstanding electricity expense is Shs 12,000
- iii. Provision for bad debts is to be increased by Shs 6,000
- iv. Depreciation charge is 10% of cost of Machinery and 20% of cost of Motor vehicle.

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$$\frac{10}{100} \times 4,000,000$$

$$= 0.1 \times 4,000,000$$

$$= 400,000$$

$$\frac{20}{100} \times 3,200,000$$

$$= 0.2 \times 3,200,000$$

v. Inventory on 31st December 2018 is valued at Shs 450,000

Required:

- Prepare the general journal to reflect the above adjustments. (5 marks)
- Open up the T-accounts affected by the adjustments, post the adjusting entries and close off the accounts. (7 marks)
- Prepare the Statement of Comprehensive Income for the period ended 31/12/2018 and a Statement of Financial Position as at that date. (28 marks)

SECTION B (Attempt any three in this section)

QUESTION TWO

- ✓ a) Briefly explain the following concepts with relevant examples as used in Accounting. (2 marks each)

- Duality Concept
- Historical cost Concept
- Matching Concept
- Business Entity Concept
- Consistency Concept

- b) Identify some of the users of Accounting Information showing why they need that information. (10 marks)

✓ **QUESTION THREE**

- Explain the importance of preparing a Trial Balance? (2 marks)
- The Trial Balance of Martha Groceries on 30th April 2019 was as follows;

	DR	CR
Sales		207,500
Purchase	131,700	
General Expenses	49,720	
Furniture	25,000	
K. Kasubi	11,300	
T. Mbazira		7,000
Bank	17,200	
Drawings	28,000	
Capital		72,280
Stock	23,860	
	<u>286,780</u>	<u>286,780</u>

During the month of May 2019, the following transactions took place:

- May 1 Bought goods on credit from T. Mbazira Shs. 850
 May 2 Sold goods on credit to K. Kasubi at Shs. 1,050

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DR	CR
Sales K. Kasubi	Purchases a/c T. Mbazira P a/c
850	850
1,050	1,050
Date	Details

- Bank
- May 18 Banked Cash Sales Shs. 4,000
 - May 20 K. Kasubi paid Shs. 6,800 by cheque in part settlement of his account
 - May 26 Paid general expenses by cheque Shs. 970. Sent a cheque value Shs. 3,000 to T. Mbazira in part settlement of his account
 - May 28 Paid general expenses by cheque Shs. 2,750
 - May 30 Withdrew Shs. 3,000 from the bank for own use.

You are required to:

- 1) Open the accounts as on 1st May 2019, record the transactions directly in the accounts by means of double entry and balance off the accounts (14 Marks)
- 2) Extract a trial balance as at 31st May 2019. (4 Marks)

QUESTION FOUR

Record the following transactions in the sales, purchases and returns day books. Then post the individual items to the relevant accounts in the sales, purchases ledger and transfer the totals of the day books to the accounts in the general ledger. (20 marks)

November 2019

- a) 1st Credit purchases from Bwire shs.25,000; Mukasa shs.14,500, Apollo shs.35,000
- b) 4th Credit sales to Daudi shs.41,000; Wasswa shs.34,000, Byamugisha shs.27,000
- c) 10th Credit purchases from Tom shs.14,700, Bwire shs.10,000, Mukasa Shs.19,000
- d) 12th Goods returned by us to Bwire shs.3,500, Mukasa Shs.5,000
- e) 15th Goods returned to us by; Wasswa shs.2,500, Byamugisha shs.3,000
- f) 20th Credit purchases from; Tom shs.18,600, Bwire shs.25,000, Mukasa shs.8,000
- g) 22nd Credit sales Wasswa shs.15,000, Daudi shs.22,000
- h) 25th Goods returned by us to; Tom shs.2,000, Mukasa shs.1,500
- i) 30th Goods returned to us by Wasswa shs.1,800

QUESTION FIVE

Mrs. Elizabeth Mugisha started a business as a grocer on 1st Jan 2020 with capital of \$16,000 cash and \$15,000 in the bank. The following were her transactions during January:

- Jan 1 Paid rent by cheque \$300
- Jan 3 Bought goods for cash \$370
- Jan 6 Bought furniture for the shop by cheque \$8,000 (C)
- Jan 9 Cash sales \$250
- Jan 12 Cash sales \$350, paid direct into the bank
- Jan 14 Deposited cash into bank \$700
- Jan 16 Cash sales \$410
- Jan 20 Cash sales \$2500
- Jan 21 Bought goods by cheque \$1,000 less 2% discount
- Jan 22 Paid rent by cash \$3,000
- Jan 26 Paid office expenses in cash \$370
- Jan 28 Sold goods by cash \$2,000 less 5% discount
- Jan 30 Withdrew cash \$500 for personal use

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$$\begin{array}{r}
 5 \times 2000 \\
 100 \\
 \hline
 21,430 \\
 \\
 0.05 \times 2000 \\
 -100 \\
 21000 \\
 \hline
 3870 \\
 \\
 -1000 \\
 \hline
 = 19560
 \end{array}$$

Required:

- I. Prepare Mrs. Elizabeth Mugisha's cash book for the month of January 2020 (16 Marks)
- II. Balance off the cash book and bring forward balances as at February 1st 2020 (4 Marks)

QUESTION SIX

- a. Explain the importance of preparing Bank Reconciliation Statements. (3 marks)
- b. Edward runs a business in Masaka Town and keeps his money with Centenary Bank Masaka Branch. At the end of February 2019, the business cash book records appeared as follows;

Cash Book (Bank Column)					
Date	Details	Amount	Date	Details	Amount
2019			2019		
Feb 1	Bal b/d	480,000	Feb 2	Okello	67,200
8 th	Abiringa	96,000	4 th	UMEME	20,160
13 th	Kanyike	30,720	10 th	SWICO	16,800
14 th	Obua	48,000	22 nd	Grace	115,200
28 th	Maria Flo Hotel	52,800	23 rd	Ouma	29,280
			28 th	Bal c/d	458,880
		707,520			707,520

The following was the bank statement that Edward received from Centenary bank for the month of February 2019;

Date	Details	Debit (SHS)	Credit (SHS)	BALANCE (SHS)
1 st Feb 2019	Bal c/d			480,000
2 nd Feb 2019	Okello	67,200		412,800
11 th Feb 2019	SWICO	16,800		396,000
14 th Feb 2019	Abiringa		96,000	492,000
15 th Feb 2019	Standing Order-MTN	24,000		468,000
18 th Feb 2019	Obua		48,000	516,000
20 th Feb 2019	Mayombo		24,000	540,000

Required:

- a) Prepare an adjusted cash book (8 marks)
- b) Prepare a Bank Reconciliation statement for Edward's business at the end of February 2019. (9 marks)

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