

**UGANDA MARTYRS UNIVERSITY, LUBAGA CAMPUS**

**FACULTY OF BUSINESS ADMINISTRATION AND  
MANAGEMENT**

**DEPARTMENT OF ACCOUNTING & FINANCE**

**YEAR ONE EVENING QUOTA 1 2017/18**

**COURSE UNIT: FUNDAMENTALS OF ACCOUNTING 1**

**DATE:** Monday, 4<sup>th</sup> December 2017

**Time allowed:** 4:00pm – 7:00pm

**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) Question one is compulsory**
  - 5) Attempt four questions in all.
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**QUESTION ONE (COMPULSARY)**  
The following trial balance was extracted from the books of Daudi Muko, a sole trader in Nakasongola for the year ended 31 December, 2016.

129.75

250,000

50,000

- i. Inventory on 31/12/2016 was valued at US\$ 4,000, 000 ✓
- ii. Non- Current assets are depreciated at 10% per annum on cost except land
- iii. One quarter of the insurance paid relates to the financial year beginning 1/1/2017
- iv. Provision for bad debts is to be increased to US\$ 2,000, 000
- v. General expenses include US\$ 1,500, 000 spent on settling the owners private bills
- vi. Salaries accrued amounted to US\$ 250, 000 and wages prepaid was US\$ 200, 000

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- a) Prepare the general journal to incorporate the above adjustments **(6 marks)**
- b) Show the T-accounts affected by the adjustments. **(8 marks)**
- c) Prepare Daudi Muko's statement of comprehensive income for the trading period ended 31/12/2016 and a statement of financial position as at that date. **(26 marks)**



## QUESTION TWO

Your elder brother has made sufficient savings to start a retail business. Being a diligent man, he desires to maintain proper records. He has come to you for advice on accounting records that he should maintain. Based on what you have learned, write a note to him setting out the following:

- Explanation of the term "source documents" (5 marks)
- Four relevant books of prime entry relevant for retail business, which he should use for keeping accounting records. (8 marks)
- Types of ledgers and the category of accounts for each type of ledger. (7 marks)

## QUESTION THREE

Rose established a business to support her family and named it Rose & family. The bank statement issued for Rose & family on June 30<sup>th</sup> 2015 showed a credit balance of US\$ 740,000. On the same date the cash book had a debit balance of US\$ 692,000. Isaac, a junior accounts assistant employed by Rose failed to bring the two balances to agreement and he approached you for assistance. After comparison of the two documents, the following discrepancies were identified.

- Bank loan interest of US\$ 24,000 and Bank charges of US\$ 10,800 were charged to the account on 30<sup>th</sup> June 2015.
- A direct debit of US\$ 30,000 for a club subscription on 10<sup>th</sup> June 2015 was made by the bank.
- A standing order for Loan repayment of US\$ 180,000 was paid on 19<sup>th</sup> June 2015
- US\$ 163,800 cheque paid into the bank on 29<sup>th</sup> June was not credited to the account on 30<sup>th</sup> June 2015.
- A credit transfer of US\$ 320,000 was received from Derrick, a customer on 5<sup>th</sup> June.
- A cheque from M. Amos for US\$ 276,000 deposited on 28<sup>th</sup> June 2015 was returned unpaid on 30<sup>th</sup> June 2015
- A cheque of US\$ 305,400 drawn on 28<sup>th</sup> June 2015 had not been presented to the bank.
- Lulu Ltd was paid a cheque for US\$ 80,000 on 20<sup>th</sup> June but returned it on 26<sup>th</sup> June and received cash.
- A cheque of US\$ 152,800 entered in the cashbook on credit side should have been for US\$ 125,800.

### **Required**

Prepare adjusted cash book to show a correct cash book balance and a bank reconciliation statement as on 30<sup>th</sup> June 2015. (20 Marks)

## QUESTION FOUR

- Discuss the purpose of preparing a Trial balance for an entity. (6 marks)
- The following balances were obtained from the books of Kingo General Enterprises as on 31<sup>st</sup> December, 2016.

1

4

5

2

520.800

325.20  
265.850  
591.140

Account title	Amount (£)
Commission received C	25,700
Motor vehicle D	15,000
Furniture D	9,000
Premises D	184,520
Salaries and wages D	65,520
Discount received C	2,910
Accounts receivable D	51,240
Accounts payable C	25,680
Carriage inwards D	1,640
Returns inwards D	2,820
Returns outwards C	1,210
Cash in hand D	4,960
Machinery D	25,000
Inventory (1/1/2016) D	29,000
Telephone and postage D	6,130
Office expenses D	5,510
Bank loan C	40,000
Capital C	138,320
Insurance D	9,010
Electricity D	5,530
Purchases D	171,450
General expenses D	4,810
Sales C	357,320

591.140  
25  
17  
42

### Required

Prepare the trial balance of Kingo General Enterprises as at 31/12/2016 (14 marks)

### QUESTION FIVE

The following information was taken from the books of Harry a sole trader at Nakawa for the month of May 2014.

- ✓ May 1. Harry, the proprietor started business with \$80,000 cash.
- ✓ 2. Brought and surrendered a personal Motor vehicle of \$20,000 for use in the business
- ✓ 3. The owner opened bank account for the business and deposited \$50,000 from personal account
- ✓ 5. Goods were Purchased for sale and paid by cheque \$20,000
- ✓ 10. Harry Purchased goods for sale worth \$40,000 from Mary
- ✓ 17. Paid Mary by cheque worth \$20,000
- ✓ 18. Goods worth \$30,000 were sold to Dan
- ✓ 20. Sold goods for \$ 20,000 and was paid by cheque
- ✓ 22. The owner took \$20,000 from business bank account to meet his wedding expenses.
- ✓ 24. Harry met Mary who had a bill to pay KCCA and gave her from private money \$10,000 cash as part payment for the amount owing.
- ✓ 27. Dan made payment of \$20,000 by cheque for goods sold to him.
- ✓ 29. Harry collected \$5,000 cash from Dan to clear the school fees of his son.
- ✓ 30. Deposited \$ 50,000 cash from the business to the business bank account.

Dr. Bank Cr. Cash



## Required

Enter the above transactions to appropriate accounts in the ledger and balance off the accounts. (20 marks)

### QUESTION SIX

Explain the following concepts and terms as used in accounting:

- a) Fundamental qualitative characteristics of accounting information (8marks) *relates to*
- b) Going concern (4marks) *few m.*
- c) Accrual concept (4marks)
- d) Consistency (4 marks)