

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

FUNDAMENTALS OF ACCOUNTING 1

Final Examination Semester One

2022 – 2023

YEAR ONE Nkozi & Lubaga Day students

Date: Tuesday, 20th December 2022

Time: 9:30 am – 12:30pm

Instructions

1. Show all the necessary workings.
 2. Section A is **COMPULSORY** and carries 25 marks.
 3. Attempt **any three questions** of your choice from section B.
 4. Be neat and orderly in your presentations
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The following is the Trial Balance extracted from the books of a sole trader, A.K. David, on 31st December, 2020.

SECTION A (COMPULSORY)

	DR (\$)	CR (\$)
Stock 1 st January 2020	50,000	
Freehold premises	240,000	
Bills Receivable	30,000	
Purchases	280,000	
Salaries & wages	35,000	
Sales		520,000
Fixtures & fittings	25,000	
Discount allowed	7,500	
Discount received		4,500
Plant & Machinery	140,000	
Rates	5,600	
Advertising	10,400	
Insurance	3,800	
General express	7,200	
Provision for bad debts		1,800
Sundry debtors	60,000	
Bills payable		15,000
Sundry creditors		43,000
Cash in hand	2,400	
Bank overdraft		18,600
Drawings	6,000	
Capital Account		300,000
	<u>902,900</u>	<u>902,900</u>

The following additional information is provided:

- (a) Provide for depreciation of plant & machinery at 10% per annum and fixtures & fittings at 15% per annum.
- (b) Increase the provision of Bad debts to an amount equal to 4% of sundry debtors.
- (c) Prepaid Insurance amounts to \$500.
- (d) Rates accrued \$400.
- (e) Closing stock was valued at \$60,000
- (f) During the year Mr. A.K. David took goods worth \$2,000 for his personal use.

Required:

- a) Open up the T-accounts affected by the adjustments, post the adjusting entries and close off the accounts. **(5 marks)**
- b) Prepare the Statement of Comprehensive Income for the period ended 31/12/2020 and a Statement of Financial Position as at that date. **(20 marks)**

SECTION B (Attempt any three questions in this section)

QUESTION TWO

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

- i) Duality Concept
- ii) Prudence/Conservatism Concept
- iii) Accrual Concept
- iv) Business Entity Concept
- v) Consistency Concept
- vi) Going concern

c) Identify some of the users of Accounting Information showing why they need that information. (13 marks)

QUESTION THREE

(a) Why should a trial balance be prepared? (3 marks)

(b) Explain **six** errors that do not affect the trial balance. (12 marks)

(c) The following account balances were extracted from the books of Dorothy for the period ended 30th November 2021:

	Shs '000'
Purchases	148,000
Sales	224,000
Purchases returns	778
Sales returns	8,016
Opening inventory	35,402
Warehouse wages	1,004
Warehouse expenses	224
Discounts allowed	146
Discounts received	320
Lighting and heating	796
Travelling expenses	138
Repairs	74
Rent paid	1,800
Rent received	600
Commission received	748
Furniture and fittings	10,600
Plant and machinery	55,364
Motor vehicles	27,302

Trade receivables	2,706
Trade payables	48,532
Cash at hand	5,534
Cash at bank	18,872
Mortgage	12,000
Loan	4,000
Drawings	7,000
Capital	32,000

Required:

Extract a trial balance for Dorothy as at 30th November 2021. **(10 marks)**

QUESTION FOUR

XYZ Ltd had following transactions in the month of January, 2021

Credit purchases

- 1/1/21 Invoice No. 001 purchases from Sony Ltd shs. 5,000,000
- 2/1/21 Invoice No. 250 purchases from Panasonic Ltd shs 6,000,000
- 3/1/21 Invoice No. 359 purchases LG Electronics Ltd shs 10,000,000
- 4/1/21 Invoice No. 010 purchases Sony Ltd shs 4,000,000
- 5/1/21 Invoice No. 390 purchases from LG Electronics Ltd shs 2,000,000

Credit sales

In the first week of January XYZ Ltd made sales as follows:

- 2/1/21 Invoice No. 020 sales to Uchumi Supermarkets shs 5,000,000
- 3/1/21 Invoice No. 021 sales to Nakumatt Supermarkets shs 8,000,000
- 4/1/21 Invoice No. 022 sales to Ukwala Supermarkets shs 7,000,000
- 5/1/21 Invoice No. 023 sales to Uchumi Supermarkets shs 8,000,000
- 6/1/21 Invoice No. 024 sales to Ukwala Supermarkets shs 6,000,000

Cash transactions:

On 1/1/21, XYZ balance of cash amounted to shs 4,000,000 and cash transaction during the first week of January were as follows:

- 1/1/21 paid salaries and wages shs 2,000,000

2/1/21 cash sales shs 3,000,000
2/1/21 paid rent shs 4,000,000
3/1/21 received from Uchumi Supermarkets shs 1,000,000
3/1/21 paid Sony Ltd shs 2,000,000
4/1/21 paid electricity shs 500,000
4/1/21 received from Nakumatt Supermarkets shs 4,000,000
4/1/21 received from cash sales shs 1,000,000
5/1/21 paid Panasonic Ltd shs 3,000,000
5/1/21 received from Ukwala Supermarkets shs 3,000,000

Required:

From the above information, prepare the following;

- a) Purchases Day book **(5marks)**
- b) Purchases ledgers for Sony Ltd, Panasonic Ltd and LG Electronics ltd, **(3 marks)**
- c) Sales Day book **(5 marks)**
- d) Sales ledgers for: Uchumi Supermarket, Nakumatt Supermarket, Ukwala Supermarket **(3 marks)**
- e) Cash book **(5 marks)**
- f) General Ledger: Salaries & Wages A/c, Electricity A/c, Rent A/c **(4 marks)**

QUESTION FIVE

The following transactions took place between 1 - 30 November 2020 for Mukasa:

1st Nov Balances b/f:

Cash in hand Shs 1,266,000

Cash at bank Shs 23,904,000

2nd Nov Paid the following accounts by cheque less discount of 5% in each case:

Muntu Shs 480,000

Mukama Shs 1,560,000

Mwalye Shs 2,640,000

4th Kamiti paid Mukasa a cheque of Shs 588,000.

6th Cash sales paid directly into the bank Shs 294,000.

7th Paid insurance by cash Shs 390,000.

9th The following trade debtors paid their account by cheque after deducting 2.5% discount:

Abdul Shs 960,000

Gabriel Shs 3,840,000

Gupta Shs 3,120,000

12th Paid motor expenses cash Shs 600,000

18th Cash sales Shs 588,000

21st Paid salaries by cheque Shs 720,000

23rd Paid rent by cash 360,000.

28th Received a cheque for Shs 3,000,000 being loan from Makwasi.

30th Paid for stationery by cheque Shs 162,000.

Required:

- Prepare Mukasa's Cash book and balance it off at the end of the month. (10 marks)
- Post to the different ledger accounts and also close them off. (15 marks)

QUESTION SIX

The following cashbook and bank statement for Nduggu Ltd for the month of September 2022

NDUGGU LTD

Dr			Cashbook (Bank column)		Cr	
			(Shs.000)			(Shs.000)
1/9/22	Bal b/f		80,000	7/9/22	006	32,000
2/9/22	001		60,000	8/9/22	007	40,000
10/9/22	002		24,000	11/9/22	008	30,000
14/9/22	014		10,000	17/9/22	009	14,000
16/9/22	John		4,000	28/9/22	Paul	6,000
28/9/22	003		34,000	28/9/22	010	4,000
30/9/22	004		13,000	30/9/22	011	2,000
30/9/22	005		<u>4,000</u>	30/9/22	012	1,000
				30/9/22	013	4,000
				Bal c/f		<u>96,000</u>
			<u>229,000</u>			<u>229,000</u>

NDUGGU LTD Bank Statement

		Debit (Shs.000)	Credit (Shs.000)	Balance (shs.000)
1/9/22	Bal b/f			80,000
5/9/22	001		60,000	140,000
8/9/22	006	32,000		108,000
10/9/22	007	40,000		68,000
13/9/22	008	30,000		38,000
14/9/22	002		24,000	62,000
16/9/22	014		10,000	72,000
18/9/22	009	14,000		58,000
20/9/22	C.M -Moses		18,000	76,000
25/9/22	S.O (MTN)	2,000		74,000
26/9/22	C.M.-Peter		16,000	90,000
30/9/22	Bank Charge	200		89,800
30/9/22	Umeme (SO)	500		89,300

Additional information:

- C.M means the credit memo and S.O is the standing order
- A cheque written to Paul on 28/9/22 and one received from John and banked on 16/9/022 were dishonored by the bank.

Required:

- Explain the substantive reasons given by the banks to dishonor cheques (5 marks)
- Justify the need for bank reconciliation (5 marks)
- Prepare a bank reconciliation for Nduggu ltd for the month of September 2022 (15 marks)

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