

**UGANDA MARTYRS UNIVERSITY**  
**FACULTY OF BUSINESS ADMINISTRATION AND**  
**MANAGEMENT**

**DEPARTMENT OF ACCOUNTING & FINANCE**  
**SEMESTER ONE 2018/19 FINAL EXAMINATION**

Year 1 BAM, BMF, BSC A&F, BPSM Nkozi, Lubaga Day and  
Evening, BSWA 2 Lubaga Day

**COURSE UNIT: Fundamentals of Accounting 1**

**DATE: Thursday, 6<sup>th</sup> December 2018**

**DURATION: Three (3) Hours**

**TIME ALLOWED: 09:30am – 12:30pm**

**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 (COMPULSORY)**

The following trial balance was extracted from the books of Raleo Junta, a sole trader in Busia for the year ended 31 December, 2017.

DETAILS	DEBIT (£)	CREDIT (£)
Land	60,000	
Machinery	105,000	
Motor Vehicles	85,000	
Inventory(1/1/2017)	4,600	
Carriage inwards	2,500	
Carriage outwards	2,000	
Wages and salaries	10,000	
Insurance	400	
General expenses	12,000	
Cash at hand	35,000	
Cash at bank	5,000	
Purchases and Sales	160,000	300,000
Accounts receivable and accounts payable	30,000	15,000
Discounts	500	1,500
Returns	4,000	3,000
Bad debts	2,500	
Provision for depreciation:		
Plant and machinery		30,000
Motor Vehicles		16,000
Provision for doubtful debts		3,000
Capital		150,000
	<b>518,500</b>	<b>518,500</b>

**Additional information**

- Depreciate Machinery and Motor Vehicles at 10% per annum on cost
- £100 of the insurance paid relates to the financial year beginning 1/1/2018
- Adjust provision for doubtful debts to £ 4,000
- The General expenses include £ 3,000 spent on introduction of the owner's daughter.
- Salaries accrued amounted to £ 500 and wages prepaid was £ 400
- Inventory on 31/12/2017 was valued at £ 8,000

**Required:**

- Prepare the general journal to reflect the above adjustments. **(6 marks)**
- Show the T-accounts affected by the adjustments. **(8 marks)**
- Prepare the statement of comprehensive income for the trading period ended 31/12/2017 and a statement of financial position as at that date. **(26 marks)**



## **QUESTION TWO**

- (a) Explain the importance of extracting a trial balance from the books of accounts? (4 marks)
- (b) Explain any six errors that are not revealed by the trial balance. (6 marks)
- (c) The following account balances were extracted from the books of Kats Ltd for the period ended 30th November 2017:

	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 Kats Ltd as at 30<sup>th</sup> November 2017. (10 marks)

## **QUESTION THREE**

Badru Ssekimpi commenced business on 1<sup>st</sup> June 2018 with £ 55,000 in the bank and £ 8,000 in cash. He had the following transactions during the month of June 2018.

- 2<sup>nd</sup> Bought goods for cash £ 4,850
- 4<sup>th</sup> Bought goods on credit from E. Matovu £3,050
- 7<sup>th</sup> Sold goods on credit to the following: B. Pamela £1,450 and K. peter £ 2,850.
- 8<sup>th</sup> Returned goods worth £ 475 to E. Matovu.
- 10<sup>th</sup> Cash sales were £ 3,050.
- 11<sup>th</sup> B. Pamela returned goods worth £ 193.

- 14<sup>th</sup> Sold goods on credit to K. peter £ 1,025
- 16<sup>th</sup> Deposited £ 4,000 in the bank.
- 18<sup>th</sup> Bought a Motor vehicle on credit from Uganda Motors Ltd £ 20,500.
- 22<sup>nd</sup> Cash sales made were £ 2,860.
- 26<sup>th</sup> Received cheques from the following: K. peter £ 1,250; and the amount due from B. Pamela.
- 30<sup>th</sup> E. Matovu Paid by cheque £2,075

Required:

Prepare the ledger accounts to record the above transactions and balance off the accounts. **(20 marks)**

**QUESTION FOUR**

- a) Discuss five most common causes of disagreement between the balances reported by the cash book and the bank statement **(5 marks)**
- b) Maria, a business woman at Katwe requested for a bank statement from her bank for the month of August 2016. On comparison, she discovered that her cash book showed an overdraft of £5,240 on 31<sup>st</sup> August 2016 and her bank statement showed a credit balance of £1,900. On investigation, the following were identified as the cause of the difference.
  - a) Cheques totaling £1,530 returned by his bank as "Refer to Drawer" had not been entered in the cash book
  - b) Ledger fees of £ 900 and cheque books charges of £ 120 debited by the bank have not been entered in the cash book
  - c) Cheques totaling £13,050 received from debtors and lodged on 31<sup>st</sup> August 2016 were credited by the bank on 4<sup>th</sup> September 2016
  - d) Payments by cheque amounting to £24,690 to creditors made during August 2016 were not reflected in the bank statement
  - e) Dividends amounting to £ 1,050 were received and credited by the bank but no entry was made in the cash book
  - f) Three payments of £1,000 each made by the bank as per standing order to his landlord have not been recorded in the cash book
  - g) The cashbook was over stated on the debit side by £450
  - h) Deposit of £1,600 into the bank was erroneously entered in the cashbook as £1,150

Required:

- i. Adjusted cash book for Maria's business **(8 marks)**
- ii. A bank reconciliation statement **(7 marks)**



### QUESTION FIVE

The following transactions relate to Godwin and Sons business for the year ended 31 April 2010.

- 1 April Started business with Shs 10 million in the bank.
- 2 April Bought an office car by cheque Shs 3 million
- 4 April. Took Shs 1 million out of the bank and put it into the cash till being petty cash float.
- 6 April. Received a cash loan of Shs 7 million from Jarvis at an interest rate of 10% per annum and banked it immediately.
- 8 April Brought in further cash from his own resources of Shs 4 million and banked it.
- 10 April. Bought display equipment on credit from Furniture Ltd for Shs 9 million.
- 11 April. Bought goods for resale by cheque Shs 9 million.
- 13 April. Sold goods on credit to D. Kaggwa & Sons Ltd for Shs 3.5 million.
- 15 April. Paid Shs 30,000 for business transport from petty cash.
- 18 April. Paid Super Furniture Ltd on account by cheque Shs 3 million
- 19 April sold to N. Shambals goods for Shs 21,620,000 on credit.
- 23 April Returned faulty equipment to Furniture Ltd for Shs 1 million
- 24 April. N. Shambals returned goods worth Shs 1,180,000
- 25 April. N. Shambals paid on account Shs 5 million by cheque.
- 26 April Paid rent by cheque Shs 500,000.
- 30 April N. Shambals paid the balance by cheque having deducted Shs 200,000 cash discount.
- 14 March 2009 Paid Furniture Ltd the balance after deducting Shs 150,000 cash discount.

#### Required:

Record the above transactions in the books of original entry of Godwin and Sons, close them and post in relevant ledgers. **(20 marks)**

### QUESTION SIX

- (a) Identify and explain five users of accounting information and their information needs **(10 marks)**
- (b) Write short notes explaining the following concepts and their application in accounting
  - i. Double entry system **(4marks)**
  - ii. Prudence concept **(3marks)**
  - iii. Periodicity **(3 marks)**