

**UGANDA MARTYRS UNIVERSITY**  
**FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT**  
**BAM I FINAL EXAM SEMESTER I, 2014/2015**  
**Fundamental Accounting I**

**Date: 5.12.2014**

**Time: 3 hours**

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**Instructions**

Show all the necessary workings.

Section A is **compulsory** and carries 40 marks. Attempt **any three questions** of your choice from section B.

Be neat and orderly in your presentations

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**SECTION A (compulsory)**

Ziwambazza is a retail trader in Kikuubo. His trial balance for the year ended 31 May 2014 was as given below:

	<b>Dr.</b> <b>Shs '000'</b>	<b>Cr</b> <b>Shs '000'</b>
Capital 1 June 2013		51,200
Land and buildings	40,000	
Motor vehicles (cost Shs 9,600,000)	4,800	
Drawings	11,200	
Inventory	7,280	
Bank overdraft		768
Sales		114,080
Purchases	88,800	
Motor expenses	2,480	
Sundry expenses	848	
Wages	12,480	
Trade receivables	6,560	
Trade payables		9,680
Insurance and rates	1,280	
	<b><u>175.728</u></b>	<b><u>175.728</u></b>

**The following additional information is provided:**

- (i) Inventory at 31 May 2014 was Shs 14,560,000.
- (ii) A provision for bad debts of 5% on trade receivables at 31 May 2014 is to be created.
- (iii) Rates prepaid at 31 May 2014 amounted to Shs 96,000.
- (iv) Depreciation is to be provided on motor vehicles at 20% on cost.

- (v) Motor expenses bill for May 2014 Shs 208,000 was owing at 31 May 2014.
- (vi) Included in the sundry expenses was an amount of Shs 120,000 for private telephone bill of Ziwebabazza
- (vii) A cheque for Shs 2,000,000 was paid to a creditor on 31 May 2014 but had not been entered in the books at the time of extracting the trial balance.

**Required:**

- i) Journalize the adjustments and post in the relevant ledgers (20 marks)
- ii) Prepare the statement of comprehensive income for the year ended 31 May 2014 (10 marks)
- iii) Prepare the statement of financial position as at 31 May 2014 (10 marks)

**SECTION B**

**Question Two**

- a) State five users of financial statements (information) and briefly explain their information needs. (10 marks)
- b) Write short notes on the following: (2 marks each)
  - (i) General journal
  - (ii) Purchases journal
  - (iii) Sales ledger
  - (iv) General ledger
  - (v) Cash book

**Question Three**

- a) Distinguish between a discount allowed and discount received, also explaining why a discount allowed is debited while a discount received is credited. (4 marks)
- b) On 1 January 2014, Molly's cash book had the following balances: Cash Shs 3,014,000 and Bank Shs 22,610,000

**The transactions for the month were as follows:**

- 03 May Received a cheque from Jolly Shs 2,276,000.
- 07 May Paid wages in cash Shs 1,112,000.
- 08 May Paid John by cheque Shs 1,766,000 in full settlement of his account of Shs 1,844,000.
- 10 May Received Shs 1,376,000 cash for sale of damaged inventory. Paid Omo Shs 6,638,000 by cheque in full settlement of his account of the Shs 6,806,000.

12 May	Paid Rose, the shopkeeper Shs 1,124,000 as wages in cash.
15 May	Received a cheque of Shs 3,500,000 from MM & Sons.
18 May	Paid Shs 626,000 cash to purchase stamps
21 May	Withdrew Shs 1,700,000 from bank for office use.
24 May	Paid Pam Shs 3,074,000 by cheque.
25 May	Paid wages of Shs 1,130,000 in cash.
26 May	Received Shs 1,902,000 from Tom in full settlement of her account of the Shs 2,450,000, and paid it into bank on the same day.
31 May	Paid Shs 2,060,000 into bank.

**Required:**

Prepare Molly's cash book as at 31 January 2014. Balance off the cashbook at the end of the month and post to the relevant ledgers (16 marks)

**Question Four**

- a) Explain any five reasons as to why the cash book balance may not agree with the bank statement balance. (10 marks)
- b) Murungi's data in his cash book and bank dealings for the month of November 2013 were as follows:
  - (i) Cash in bank as per bank statement on 30 November 2013 was Shs 1,271,800.
  - (ii) Cheques received and paid into the bank but not yet entered in the bank statement Shs 632,750.
  - (iii) Cheques drawn and entered in the cash book but not yet presented to the bank Shs 935,500.
  - (iv) Interest charged by the bank but not yet entered in the cash book Shs 77,000.
  - (v) On 30 November 2007 the bank columns of the cash book showed a debit balance of Shs 1,046,050.

**Required:**

- (i) Prepare Murungi's adjusted cash book. (5 marks)
- (ii) Prepare a bank reconciliation statement as at 30 November 2014. (5 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 pretty 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) Explain the Duality concept as used in accounting? (2 marks)
- (b) Given below are the ledger accounts for Charles for the year ended 31 December 2012:

	Shs '000'
Good will	30,000
Bad debts	2,556
Commission received	7,710
Motor vehicles	4,500
Furniture	2,700

Premises	22,800
Warehouse wages	6,900
Discount received	147
Trade payable	7,704
Trade receivables	15,372
Carriage inwards	492
Carriage outwards	350
Returns inwards	496
Returns outwards	360
Cash in hand	1,488
Machinery	7,500
Office salaries	14,256
Sales	107,922
Inventory at 1 December 2011	8,700
Postage	339
Office expenses	1,653
Bank loan	12,000
Capital	41,499
Rates and Insurance	2,703
Light and heat	1,659
Purchases	51,435
General expenses	1,443

**Required:**

Prepare a trial balance as at 31 December 2012. (18 marks)