

UGANDA MARTYRS UNIVERSITY

FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

DEPARTMENT OF ACCOUNTING AND FINANCE

**CODE: ACC 2104 COURSE: INTERMEDIATE ACCOUNTING I
FINAL ASSESSMENT**

DATE: 21/01/2022

Time allowed: 3 hours (9:30AM -12:30PM)

Instructions to candidates: Read the following before answering the questions

- 1) Clearly state the question numbers and sections attempted.
 - 2) Write neatly and show all workings.
 - 3) Every question attempted should be started on a new page
 - 4) Attempt 4 questions in all, question one is compulsory.**
 - 5) Plagiarism and all forms of examination malpractice is unacceptable & subject to disciplinary action.
 - 6) Attempting these questions is null & void for those with incomplete coursework
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Question one (Compulsory question)

- Explain the circumstances under which it is logical to undertake revaluation of assets and liabilities (3 marks)
- Alex, Betty and Charles are partners sharing profit and losses in proportion to their capital. Their statement of financial position as on 31.3.2021 is as follow:

Alex, Betty and Charles
Statement of financial position
As on 31st March 2021

Non-Current assets	\$	\$	\$
Machinery			31,000
Motor vehicle			13,000
Land & Building			20,000
Goodwill			18,000
			82,000
Current assets			
Inventory		12,000	
Accounts receivable		20,000	
Cash at Bank		3,000	35,000
Total Assets			117,000
Equity & liabilities			
Capital: Alex		30,000	
Betty		30,000	
Charles		15,000	75,000
Retained profits			20,000
Equity			95,000
Current Liabilities			
Accounts payable		7,000	
Accrued expenses		15,000	22,000
Total equity and liabilities			117,000

120,000
26,500

3
50
40
5:4

10,000
800
24,800

24,300
6 6 3
2 2 1

Additional information

On 31st March 2021, Alex retired and the following terms were agreed:

- Goodwill be revalued at \$15,000
- Assets and Liabilities were revalued as follows:
 - Accounts receivable \$ 17,000
 - Inventory at 90% of book value
 - Land & Building \$ 35,000
 - Motor vehicle \$ 11,500 (taken by Alex on retirement)
 - Machinery \$ 29, 500,
 - Accrued expenses \$ 18,000
- Betty and Charles contributed additional capital of \$ 20,000 and \$ 10,000 respectively
- ~~Peter~~ Alex was paid \$ 1,000 and the balance due to him was transferred to his loan account, Alex

Required:

- i. Revaluation Account (5marks),
- ii. Partner's Capital Accounts (10 marks)
- iii. Bank account (2 marks)
- iv. The statement of financial position of the new firm of Betty and Charles (5 marks)

(Choose 3 questions from this section)

Question two

Sheen and Lean have been in partnership sharing profits and losses in the ratio of 3:2 respectively.

The following trial balance was extracted from the partnership books as on 31/12/2021.

Details	Debit (\$)	Credit (\$)
Machinery	52,000	
Provision for depreciation: Machinery		15,600
Motor vehicle	73,600	
Provision for depreciation: Motor vehicle		29,440
Inventory (31/12/2020)	199,760	
Cash at Bank	6,032	
Drawings:		
Sheen	44,000	
Lean	32,000	
Salaries	67,328	
General expenses	10,960	
Discount allowed	4,512	
Purchases	573,040	
Sales		722,960
Capital account:		
Sheen		216,000
Lean		96,000
Current account on 31/12/2020:		
Sheen		11,024
Lean		9,696
Accounts receivables and payables	167,680	130,192
Total	1,230,912	1,230,912

Additional information:

- i. Inventory on 31/12/2021 was \$ 218,720
- ii. General expenses owing was \$ 880
- iii. Provide for depreciation as follows:
 - ✓ Motor Vehicle at 20% on cost
 - ✓ Machinery at 10% on written down value
- iv. Charge interest on capital at 10% and on drawings 5% per annum
- v. Sheen is entitled to a salary of \$2,000 p.a and Lean to a commission of \$1,880 in 2021

Required

- (a) Prepare the statement of comprehensive income for the partnership for the year ended 31/12/2021 (include the appropriation section) (10 marks).
- (b) Statement of financial position as on that date (15 marks)

Question three

Betty and Paul were in partnership, sharing profits and losses in the ratio of 5:3. They decided to dissolve their partnership firm on 31st December 2019, when the Statement of financial position of the firm was as follows:

Betty and Paul Statement of financial position As at 31/12/2019		
	Shs'000	Shs'000
Non-current assets	Acc. Depn	Book value
Plant and equipment		18,975
Furniture		11,250
Motor vehicle		11,250
		41,475
Current assets		
Inventory	134,250	
Accounts receivable	81,750	
Prepaid insurance	1,500	217,500
Total assets		258,975
Financed by		
Capital:		
Betty	75,000	
Paul	45,000	120,000
Current accounts:		
Betty	18,720	
Paul	5,100	23,820
Liabilities		
Accounts payable	42,690	
Loan from Betty	18,000	
Accrued interest on loan	600	
Bank over draft	53,865	115,155
		258,975

Additional information

- Betty took over inventory amounting to Shs. 30,000,000, the inventory balance was sold for Shs. 97,500,000
- Proceeds from the sale of other assets were as follows:

Details	Shs'000
Accounts receivable	86,400
Plant and equipment	21,000
Motor vehicle	10,050
Furniture	12,750

Refund of prepaid insurance	450
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3. Accounts payable were discharged for Shs 42,600,000.
4. The bank charged interest on overdraft amounting to Shs 305,000 at final settlement.
5. Realization expenses of Shs 3,400,000 were paid

Required

- i. Realization account (12 marks)
- ii. Partners' capital accounts (5 marks)
- iii. Bank account (8 marks)

Question four

Discuss the following with specific examples

- a) The differences between Joint Venture and Consignment (10 marks)
- b) The reasons why entities use joint arrangements to conduct business (6 marks)
- c) Partnership deed (4 marks)
- d) Three key differences between Revaluation account and realization account (5 marks)

Question five

NINA General stores operates in 3 departments, the following information obtained relates to the 3 departments

Details	Department A (£)	Department B (£)	Department C (£)
Opening inventory	41,280	33,975	93,721
Closing inventory	32,840	13,828	81,626
purchases	210,342	75,296	139,109
Purchases returns	14,382	5,629	1,823
Sales	400,173	154,085	362,189
Sales returns	-	3,259	11,217
Direct wages	72,823	30,084	24,613

Additional information

1. The following inter departmental transfers were made on cost:

S/No	From	To	Amount (£)
i.	Department A	Department B	389
ii.	Department A	Department C	6,679
iii.	Department B	Department A	5,315
iv.	Department C	Department A	4,271
v.	Department C	Department B	5,801

2. Apportion the expenses as follows:

Expenses	Amount (£)	Basis of apportionment
Stationery	921	Equally
Postages	663	Equally
General charges	39,627	Equally
Insurance	1,785	Equally
Depreciation	5,460	Equally

Establishment	63,395	Sales ratio
Bad debts	19,823	Sales ratio
Advertising	7,293	Sales ratio
Income tax	11,028	Profit before tax
Rent	45,437	Space occupied

3. Space occupied by each department are in the ratio of 4:2:3 for A, B & C respectively.

Required

Prepare Departmental statement of comprehensive income for NINA General stores (25 marks).

Question six

- (a) Explain with specific examples the types of commission payable to a consignee (6 marks)
- (b) Alfred with business office in Juba consigned 10 Jericans of Honey costing Shs. 200,000 per Jericans to Namubiru of Kampala on 1st March 2021; and his financial year ends on 31st August. Alfred paid Shs. 250,000 for carriage and insurance for the whole consignment on 1/03/2021. Alfred received account sales with bank draft from Namubiru on 28th August 2021. The following was the content of the account sales

- 8 Jericans of Honey sold for Shs. 400,000 each
- Shs. 150,000 paid for import duties on receipt of the whole consignment
- Selling costs paid in respect of 8 Jericans sold amounted to Shs. 160,000
- 10% commission for 8 Jericans sold was deducted
- A bank draft worth Shs. 2,570,000 was send to Alfred together with the account sales

Required

Prepare the consignment account, consignees account and the consignors account (15 marks)

- (c) Consider the details in section (b) above and the final account sales sent on 30/11/2021 that contain the following information:
- ✓ The two remaining Jericans of Honey were sold for Shs. 380,000 each
 - ✓ Selling costs for the 2 Jericans were Shs 70,000
 - ✓ Commission for the sale is 10%
 - ✓ Bank draft enclosed for the balance

Required

Consignment account to close the arrangement (4 marks).

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Handwritten calculations:

901971
284476
9

3026000

156,818 | 73800 | 99000
193255 | 60137 | 2049