UGANDA MARTYRS UNIVERSITY NKOZI CAMPUS

FACULTY OF BUSINESS AND MANAGEMENT

DEPARTMENT OF ACCOUNTING AND FINANCE

YEAR II SEMESTER I EXAMINATIONS

2023/2024

COURSE CODE: ACC2104

COURSE NAME: INTERMEDIATE ACCOUNTING I

BAM II, BSC ACC & FIN II

Time allowed: Time allowed: 3 Hours (9:30 am-12.30 pm)

INSTRUCTIONS:

1. Time allowed: **3 hours**
2. The Examination paper consists of six Questions
3. Attempt any **four** questions.
4. All questions carry equal marks.
5. Your work must be neat and show all relevant workings

Question One

a) Outline the main Features of Joint Venture and differentiate between Joint Venture and Partnership **(10 marks)**

b) Tom and Jerry entered into Joint Venture to sell a consignment of timber sharing profits and losses equally.

i. Tom provides timber from stock at mutually agreed value of Shs. 50,000,000. He pays expenses amounting to Shs. 2,500,000. At the close, Tom takes over the balance stock in hand which is valued at Shs. 11,000,000.

ii. Jerry incurs further expenses on cartage, storage and collieage of Shs. 6,500,000 and receives cash for sales Shs. 30,000,000. He also takes over goods to the value of Shs. 10,000,000 for his own use.

Required:

Pass Journal Entries to record the above transactions and open the necessary ledger accounts in the books of Tom and Jerry. **(15 Marks)**

Question Two

a) Outline the main causes of goodwill payment and State the conditions the conditions for valuation of goodwill in Partnership **(10 marks).**

b) Green and Red are in partnership and share profit and losses in the ratio 4:5 respectively. On 1st January they admit B as third partner on the following conditions:

i. Blue was to bring in 3,000,000 as capital

ii. The goodwill of the practice, immediately before Blue's admission would be valued at 3,600,000

iii. The profit sharing ratios of Green, Red and Blue would be 4:3:2 respectively

On the 1st January the balance sheet of G and R was as follows:

Assets	Shs 000
Goodwill	-
Sundry Assets	10,000
Cash at Bank	5,000
	15,000
Financed By:	

Capital Accounts:	
Green	6,000
Red	5,000
Creditors	4,000
	15,000

Required:

Draw up the balance sheet as it would look after the goodwill has been opened and it is shown in balance sheet. **(15 Marks)**

Question Three

a) Explain the concept and purpose of revaluation of assets in the context of change in partnership (10 Marks)

b) Smith and David are in partnership and share profit and losses in the ratio 3:2. On 31 December, 2017, the balance sheet of Smith and David was as follows: -

	Shs 000	Shs 000
Non-Current Assets		
Freehold Property	18,000	
Motor Cars	10,000	
Office Equipment	2,000	30,000
Current Assets		
Stock	5,000	
Debtors	5,000	
Cash at Bank	2,000	12,000
		42,000
Financed by:		
Capital Accounts		
Smith	20,000	
David	10,000	30,000
Current Liabilities		
Creditors		12,000
		42,000

On the 1st January 2018, they admit John as their partner on the following conditions:

i. John was to bring Shs 10,000,000 as capital

ii. The profit-sharing rations would be 3:1:1

iii. It was agreed to revalue certain assets before admitting J as under:

Freehold Property 27,000,000

Motor Car 4,000,000

Office Equipment 2,500,000

Stock 3,750,000

Required:

Show the balance sheet as at 1st January 2018 after the above adjustments (15 Marks)

Question Four

a) Explain the main objectives of preparing departmental accounts **(5 marks)**
b) From the balance, you are required to prepare a departmental trading and profit and loss account in columnar form for the year ended 31.03.2017 in respect of the business carried on under name of Kansime and Zena General Stocks. **(20 marks)**

Particular		**'000'**	**'000'**
Rent and rates			4,200
Delivery expenses			2,400
Commissions			3,840
Insurance			900
Purchases: Department	– Dick	52,800	
	- Betty	43,600	
	- Cathy	34,800	131,200
Discount received			1,968
Salaries and wages			31,500
Advertising			1,944
Sale: Department	- Dick	80,000	
	-Betty	64,000	
	-Cathy	48,000	192,000
Depreciation			2,940
Opening Stock: Department	- Dick	15,600	
	- Betty	12,240	
	- Cathy	10,120	36,960
Administration			7,890
General expenses			
Closing stock: Department	– Dick	10,400	
	-Betty	6,654	
	-Cathy	7,746	24,800

Additional Information

Except as followed, expenses are to be apportioned equally between departments

i. Delivery expenses- proportionate to sales
ii. Commission 2% of sales
iii. Salaries and wages and insurance in the rates of $\frac{6}{15}$, $\frac{5}{15}$ and $\frac{4}{15}$ respectively

iv. Discount received 1.5% of purchases

Question Five

Peter and Petra commenced trading in soft furnishings and household furniture on 1st January 2015. At the end of their financial year of trading, the following balances were extracted from the firm's books of account:

As at 31St December 2015

		Shs 000
Sales	Soft furnishings	50,000
	Household furniture	100,000
Capital accounts	Peter	20,000
	Petra	18,000
Drawings	Peter	6,000
	Petra	5,000
Purchases	Soft furnishings	50,200
	Furniture	85,280
Debtors		9,696
Creditors		4,492
Staff salaries	Soft furnishings	1,620
	Furniture	2,800
Motor vehicle expenses		1,930
Property taxes (rates)		700
Rent		2,500
Lighting and heating		856
Office salaries		1,920
Motor vehicles at cost, 1st January 2015		2,400
Balance at bank		18,440
Advertising		2,400
Fire and theft insurance		360
Property repairs and maintenance		390

The business premises cover an area of 500 square meters, with the soft furnishings department occupying 200 square meters and the furniture department the remainder. It has been agreed between the partners that property taxes, rent and property repairs and maintenance should be apportioned between the departments in proportion to the floor spaced used. Office salaries, advertising and insurances are considered to vary directly in relation to turnover, while lighting and heating is to be apportioned to soft furnishings and furniture departments in the ratio of 1:3. Motor vehicle expenses are to be allocated to soft furnishings and furniture departments in the ratio of 1:4.

Additional information is available as follows:

(i) Prepayments as at 31st December 2015 are:

Insurance	Shs 120, 000
Rent	Shs 500,000

(ii) Stocks we valued at lower of cost or net realizable values as:

Soft furnishings	Shs12, 600,000
Furniture	shs 15,280,000

(iii) Peter is in charge of soft furnishings department and Petra. in charge of the furniture department. They have agreed to take a 2% commission based on the gross trading profit of their respective departments.

Depreciation is to be provided on the motor vehicle at 25% on cost. Depreciation is apportioned at the ratio 1:3.

(iv) No agreement has been made by the partners as to the division of profits and losses except that relating to the commission.

Required: Prepared

(a) Accounts in respect of the partnership for the year ending 31st December 2015, which indicate the gross and net profits for each department (15 Marks)

(b) Balance sheet of the partnership as the above date. (10 Marks)

Question Six

a) What are the differences between consignment and sale? (10 marks)

b) X of Kampala consigned 500 cartons of medicine costing Shs.1,500,000 to Y of Lira for sale on consignment basis. X received as an advance 60% of the value of the consignment through cheque Shs.50,000 and balance through acceptance. The acceptance was immediately discounted for 98% of the face value. X incurred the following expenses for forwarding the goods:

Loading expenses	3,500
Freight	1,500
Insurance	1,000

On arrival of the goods Y incurred the following expenses:

Unloading expenses	2,000
Carriage to Lira	1,000
insurance	1,000
Lira Rent	2,500
Advertisement	5,000

Y sold 400 cartons of medicine @ Shs.500 each. He is entitled to get commission @ 10% on the sales. Due to increase in competition in market sell price of the medicine comes down to Shs.375 each carton.

Required:

i. You are required to find out the value of stock on consignment at the end of accounting period and profit to be transferred to General P/L.

ii. Show consignee (Y) account in the books of Consignor.

iii. Show Consignor A/c (X) in the Books of consignee (Y)

THE END