

**UGANDA MARTYRS UNIVERSITY, NKOZI/LUBAGA
CAMPUS**

**FACULTY OF BUSINESS ADMINISTRATION AND
MANAGEMENT**

DEPARTMENT OF ACCOUNTING & FINANCE

BAM I, BSC ACC& FIN I & BA MF 1

SEMESTER TWO 2017/18

COURSE UNIT: FUNDAMENTAL ACCOUNTING II

DATE: Wednesday, 2nd May 2018

Time allowed: 9:30am-12:30pm

Instructions to Candidates:

Read the following before answering the examination questions.

- 1) Do not write anything on this question paper.
- 2) Write neatly and show all workings clearly.
- 3) Start every question on a new page
- 4) Clearly state the question number & sections attempted
- 5) Answer **any four** questions, all questions carry equal marks

QUESTION ONE

(a) Briefly explain five types of costs to any manufacturing firm. **(5 marks)**

(b) The following data was obtained from the records of DON Manufacturers Ltd as at 31/12/2017

Stock at cost	AMOUNT (1-Jan-2017)	AMOUNT (31 -Dec -2017)
Raw-materials	45,000	30,000
Work in progress	30,000	15,000
Finished goods	15,000	18,000

Balances for transactions between 1/1/2017 and 31/12/2017

DETAILS	(UGX)
Raw material purchase	250,000
Indirect materials	15,000
Carriage on raw material	2,500
Direct labor cost	400,000
Raw material returns	4,000
Carriage outwards	35,000
Other overheads	140,000
Lighting	30,000
Power for production machines	150,000
Indirect labor cost	40,000
Office salaries	13,000
Administration expenses	120,000
Sales	2,150,000
Advertising	450
Bad debts provision	150
Directors remuneration	60,000
Bank charges	110
Delivery van expenses	80,000
Discounts allowed	108
Depreciation -plant and machinery	65,000
-office equipment	40,000
-delivery	55,000

The following additional information was also provided;

- 1) Directors' remuneration was as follows:
Production director 35,000
Sales director 25,000
- 2) Advertising expenses of UGX 300 accrued at the end of the year
- 3) 60% of other overheads relates to the factory while the balance is for the office
- 4) The accounts officer realized that he had overstated the direct labor figure by UGX 200,000 and had understated the indirect labor figure by UGX 20,000
- 5) Lighting was apportioned as follows : office $\frac{3}{4}$ and $\frac{1}{4}$ factory
- 6) Provision for bad debts should be increased to UGX 220

7) Power for production machines included a prepaid figure of UGX 100,000

Required:

Prepare Manufacturing Statement and Statement of Comprehensive Income for the year ended 31/12/2017 clearly showing the various cost components **(20 marks)**

QUESTION TWO

- (a) Distinguish between a Non- Profit Making and a Profit Making business in accounting. **(5 marks)**
- (b) Identify and briefly explain any three errors that do not affect and two errors that affect the agreement of a trial balance. **(5 marks)**
- (c) With illustrations explain the steps one takes in order to come up with financial statements from incomplete records. **(5 marks)**
- (d) Briefly explain five types of costs to any manufacturing firm giving examples for each. **(5 marks)**
- (e) Explain the items recorded in each of the control accounts. **(5 marks)**

QUESTION THREE

Martha a sole trader in Owino market deals in general merchandise and does not keep proper records of accounts. To expand her business, she is planning to get a loan from centenary bank and the loan officers demanded financial statements from her.

She has approached you with the following information for assistance:

1. Assets and liabilities

Details	1/8/2016 (Ushs`000)	31/7/2017 (Ushs`000)
Inventory	34,400	67,200
Accounts receivable	15,600	17,200
Accounts payable	29,600	35,600
Electricity accrued	840	640
Rent prepaid	1,200	1,680
Bank balance	9,200	6,600
Cash in hand	1,440	1,320

2. All takings have been banked after deduction of the following payments

Details	Amount (Ushs`000)
Cash drawings	32,000
Casual Labor	4,800
Goods for resale	7,200

3. Bank payments during the year have been summarized as follows

Details	Amount (Ushs`000)
Purchases	406,000
Rent	20,160
Electricity	5,560
Carriage costs to customers	12,000

Casual labor	26,480
Total payments	470,200

4. Gross profit 25% has been made on all goods sold and Martha has taken goods worth Ugx 2.4 million for her own use

Required position for the period

- (a) Calculate the total purchases for the year ended 31.7.2017 **(4 marks)**
(b) Prepare the statement of comprehensive income and financial position for the period **(21 marks)**

QUESTION FOUR

Tasty Ltd provides for depreciation on its Machinery at the rate of 20% per annum using the straight line method. It charges full years depreciation in the year of purchase and none in the year of disposal, with its financial year ending 31st December.

The following transactions for the years 2014 to 2017 relate to the company.

Asset type	Date	Amount (\$)
Purchased Machinery 1	1/1/2014	4,000
Purchased Machinery 2	1/7/2014	2,400
Purchased Machinery 3	31/3/2015	3,200
Sold Machinery 2	2/2/2017	1,200
Exchanged Machinery 3 with Machinery 4 valued at	25/10/2017	2,800

Required

Prepare the following for the years 2014 to 2017

- a) Machinery account **(7 marks)**
b) Accumulated depreciation of machinery account **(11marks)**
c) Disposal of machinery account **(7 marks)**

QUESTION FIVE

- (a) The trial balance of Kidega, a trader in Gulu did not balance on 31st December 2017; the difference was posted to suspense account. The statement of comprehensive income prepared showed a net profit of Ushs12.8million.

On investigation the following errors were identified.

- i) A loan of Ushs 2 million from Centenary Bank was entered correctly in the cash book but was not posted to the ledger
ii) Rent received of Ushs 0.8 million through a cheque was not entered in the books.
iii) The closing inventory for the period was overvalued by Ushs 0.3 million.
iv) Discount allowed worth Ushs 0.1 million was debited to the discount received account.
v) The opening inventory for the period was under cast by Ushs 0.64 million
vi) Insurance prepaid worth Ushs 44,000 was included in the statement of comprehensive income.

- vii) Goods destroyed by fire amounting to Ushs 2.4 million were written off in the statement of comprehensive income. However, these goods were insured and the insurance company when approached agreed to compensate the full amount.

Required

- a) Prepare journal entries to correct the errors **(7marks)**
- b) Suspense account duly balanced **(3marks)**
- c) Statement of corrected profit**(5marks)**

(b) The following information was extracted from the books of KAWA enterprises. From which you are required to prepare

- i) Sales ledger control account and **(5 marks)**
- ii) Purchases ledger control account**(5 marks)**

All the information relate to the month of Dec, 2016

Balances brought forward	UGX
Sales ledger balances	23,000
Purchases ledger balances	17,944
Totals for the year	
Sales from sales journal	121,700
Credit purchases	47,178
Cash received as reported in cash book from debtors	97,900
Discount allowed	5,170
Discount received	3,164
Returns from customers	9,130
Returns outwards	7,686
Bad debts w/o	1,090
Cheques paid to suppliers	40,946

QUESTION SIX

Below are the receipts and payments of PAM Football Club.

Dr	Receipts & Payments Account		Cr
UGX		UGX	
Cash & Bank balances b/d	115,670	Operating expenses	189,784
Member's subscriptions	300,700	Players & training costs	774,570
Match-day collections	994,500	Repairs & maintenance	382,438
Broadcasting revenue	386,133	Purchase of branded items	148,724
Sale of branded items	233,677	Administration expenses	192,790
Donations	98,000	Salaries & wages – others	355,312
Rental income	275,414	Other expenses	98,598
	2,404,094	Balances c/d	261,878
			2,404,094

The following information is also available:

PAM Football Club had the following balances on 31st Dec:

	2016	2017
	UGX	UGX
Pavilion (Cost UGX 882,250)	723,445	705,800
Furniture	350,000	312,500
Subscriptions in arrears	35,804	46,820
Subscriptions in advance	5,508	20,380
Owing to suppliers of branded items	31,948	37,456
Inventory of branded items	20,932	25,338
Outstanding administration expenses	4,652	6,426

At 31st Dec 2017, salaries & wages advances were UGX 18,324 while outstanding broadcasting revenue was UGX 21,665.

Required:

- (a) Prepare the branded items account and the member's subscriptions account. **(8 marks)**
- (b) Prepare the club's Income and expenditure account. **(10 marks)**
- (c) Prepare the club's statement of financial position as at 31st Dec 2017. **(7 marks).**