

UGANDA MARTYRS UNIVERSITY

FACULTY OF BUSINESS ADMINISTRATION & MANAGEMENT

END OF SEMESTER ONE FINAL EXAMINATION

MBA PT I LUBAGA AND MASAKA CAMPUS

FINANCIAL REPORTING AND ACCOUNTABILITY

SATURDAY 11/NOVEMBER/2023

TIME : 2:00PM – 5:00PM

INSTRUCTIONS:

- a) Attempt any **four (4)** questions, with question One Compulsory
- b) All questions carry equal marks
- c) Write your answer to each question on a fresh page in your answer booklet.
- d) No mobile phones are allowed in the examination room
- e) Do not write anything on the question paper
- f) Please, read further instructions on the answer booklet, before attempting any question.



SECTION A (COMPULSORY)

QUESTION ONE

The following trial balance was extracted from the ledger of Davis Supplies Ltd for the financial year ended 30/6/2022

	(shs)	(shs)
Capital		150,000,000
Machinery (cost)	100,000,000	
Motor vehicles (cost)	80,000,000	
Land (cost)	70,000,000	
Accounts receivables	30,000,000	
Accounts payables		15,000,000
Cash Balance	5,000,000	
Bank balance	35,000,000	
Stock 1/7/2021	4,600,000	
General expenses	12,000,000	
Sales		300,000,000
Returns inwards	4,000,000	
Bad debts	2,500,000	
Purchases	160,000,000	
Discounts	500,000	1,500,000
Carriage inwards	2,500,000	
Returns outwards		3,000,000
Salaries	12,000,000	
Insurance	400,000	
Accumulated Depreciation (1/7/2021)		
- Plant and Machinery		30,000,000
- Motor vehicles		16,000,000
Provision for bad debts		3,000,000
	518,500,000	518,500,000

Additional Information is provided as follows;

- Stock at 30/6/2022 was valued at shs.8,000,000
- Depreciation on Plant and Machinery is at a rate of 10% on cost per annum while the Motor Vehicles are depreciated at 20% on declining balance
- The provision for bad debts is to be increased to shs.4,000,000
- $\frac{1}{4}$ of the insurance paid relates to the financial year commencing on 1/7/2023
- Included among general expenses is an amount of shs 3,000,000 spent on settling the director's private bill
- Salaries of shs.2,000,000 accrued

Required:

- Open up the affected accounts and post the adjusting entries **(5 marks)**
- Prepare the Statement of Comprehensive Income for the year ended 30 June 2022 **(10 marks)**
- Prepare the statement of financial position as at 30 June 2022 **(10 marks)**

SECTION: B

QUESTION TWO

The following transactions took place between 1 - 30 November 2022 for Mukasa:

1 Balances b/f:

Cash in hand Shs 1,266,000

Cash at bank Shs 23,904,000

2 Paid the following accounts by cheque less discount of 5% in each case:

Muntu Shs 480,000

Mukama Shs 1,560,000

Mwalye Shs 2,640,000

4 Kamiti paid Mukasa a cheque of Shs 588,000.

6 Cash sales paid directly into the bank Shs 294,000.

7 Paid insurance by cash Shs 390,000.

9 The following trade debtors paid their account by cheque after deducting 2.5% discount:

Abdul Shs 960,000

Gabriel Shs 3,840,000

Gupta Shs 3,120,000

12 Paid motor expenses cash Shs 600,000

18 Cash sales Shs 588,000

21 Paid salaries by cheque Shs 720,000

23 Paid rent by cash 360,000.

28 Received a cheque for Shs 3,000,000 being loan from Makwasi.

30 Paid for stationery by cheque Shs 162,000.

Required:

- i. Prepare Mukasa's Cash book and balance it off at the end of the month. (15 marks)
- ii. Post to the different ledger accounts and also close them off. (10 marks)

QUESTION THREE

- a) Explain the accounting cycle citing relevant examples at each stage of the cycle (8 marks)
- b) For financial information to be useful, it must possess certain attributes which users base on to make informed decisions. List the various financial statements that a business enterprise can prepare justifying the relevance of each statement (10 Marks)
- c) Identify at least seven users of accounting information citing their information needs (7 Marks)

QUESTION FOUR

- (a) Explain the circumstances under which a suspense account is used in accounting (2 marks)
- b) What is the implication of a suspense account appearing in the financial statements of an entity?

(5 marks)

(c) The Trial Balance of Martha Groceries on 30th April 2019 was as follows;

	DR	CR
Sales		207,500
Purchase	131,700	
General Expenses	49,720	
Furniture	25,000	
K. Kasubi	11,300	
T. Mbazira		7,000
Bank	17,200	
Drawings	28,000	
Capital		72,280
Stock	23,860	
	286,780	286,780

During the month of May 2019, the following transactions took place:

- May 1 Stocked goods for resale from T. Mbazira Shs. 850 with a promise to pay within the month
- May 2 Sold goods on credit to K. Kasubi at Shs. 1,050
- May 18 Banked Cash Sales Shs. 4,000
- May 20 K. Kasubi paid Shs. 6,800 by cheque in part settlement of his account
- May 26 Paid general expenses by cheque Shs. 970. Sent a cheque value Shs. 3,000 to T. Mbazira in part settlement of his account
- May 28 Paid general expenses by cheque Shs. 2,750
- May 30 Withdrew Shs 3, 000 from the bank for own use.

You are required to:

- Open the accounts as on 1st May 2019, record the transactions directly in the accounts by means of double entry and balance off the accounts **(14 Marks)**
- Extract a trial balance as at 31st May 2019. **(4 Marks)**

QUESTION FIVE

- Explain any five reasons as to why the cash book balance may not agree with the bank statement balance. **(10 marks)**
- Murungi's data in his cash book and bank dealings for the month of November 2021 were as follows:
 - Cash in bank as per bank statement on 30th November 2021 was Shs 1,271,800.
 - Cheques received and paid into the bank but not yet entered in the bank statement Shs 632,750.
 - Cheques drawn and entered in the cash book but not yet presented to the bank Shs 935,500.

- Bank charges appear on the statement but not yet entered in the cash book Shs 77,000.
- On 30th November 2021 the bank column of the cash book showed a debit balance of Shs 1,046,050.

Required:

- Prepare Murungi's adjusted cash book. (5 marks)
- Prepare a bank reconciliation statement as at 30th November 2021. (10 marks)

QUESTION SIX

- It is common practice that a trial balance can achieve agreement in both columns even when some errors are committed during the recording of business transactions. Justify this assertion with relevant examples. (10 Marks)
- Ms. Nakitto operates a general merchandizing business in Kyengera trading center along Masaka - Kampala Road. In the month of October, 2023; the business executed the following transactions
 - 1st Stocked goods from Bwire shs.25,000; Mukasa shs.14,500, Apollo shs.35,000 with promises to pay at a future date
 - 4th Issued invoices to Daudi shs.41,000; Wasswa shs.34,000, Byamugisha shs.27,000
 - 10th Received invoices for goods from Tom shs.14,700, Bwire shs.10,000, Mukasa Shs.19,000
 - 12th Goods returned by us to Bwire shs.3,500, Mukasa Shs.5,000
 - 15th Goods returned to us by; Wasswa shs.2,500, Byamugisha shs.3,000
 - 20th Stocked goods from; Tom shs.18,600, Bwire shs.25,000, Mukasa shs.8,000
 - 22nd Issued further invoices to Wasswa shs.15,000, Daudi shs.22,000
 - 25th Issued Credit notes; Tom shs.2,000, Mukasa shs.1,500 owing to returns
 - 30th Goods returned to us by Wasswa shs.1,800

Required:

- Post the transactions into the relevant journals
- Prepare both the sales and purchases ledger for October 2023
- Prepare the sales and purchases returns ledgers for October 2023

(15 Marks)

THE END

*****MERRY CHRISTMAS*****