

UGANDA MARTYRS UNIVERSITY
FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

BAM I FINAL EXAM SEMESTER I, 2011/2012

Fundamental Accounting I

Date: Thursday 13th December 2012

Time: 9.00am - 12.00 noon

Instructions

1. Show all the necessary workings.
2. Section A is compulsory. Attempt any three questions of your choice from section B.
3. Be neat and orderly in your presentations

SECTION A

The following trial balance was extracted from the ledger of UgandaTourism Ltd for the financial year ended 30/6/2012

	(shs)	(shs)
Ordinary share capital		150,000,000
Plant and 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 1/7/2011	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		
- Plant and Machinery		30,000,000
- Motor vehicles		16,000,000
Provision for bad debts		3,000,000
	518,500,000	518,500,000

The trial balance should be adjusted for the following information at the end of the financial year on 30/6/2012

- a. Stock at 30/6/2012 was valued at shs.8,000,000
- b. Depreciation on fixed assets is at a rate of 10% on cost per annum
- c. The provision for bad debts is to be increased to shs.4,000,000
- d. $\frac{1}{4}$ of the insurance paid relates to the financial year commencing on 1/7/2012
- e. Included among general expenses is an amount of shs 3,000,000 spent on settling the director's private bill
- f. Salaries of shs.2,000,000 accrued

Required:

- i. Journalize all the adjustments to be made (10 marks)
- ii. Prepare the company's financial statements (statement of comprehensive income and statement of financial position) at the close of the financial year on 30/6/2012 (30 marks)

SECTION B

Question Two

- a) In Accounting a number of principles or concepts exist and it's based on these that financial statements are prepared and presented. Explain using examples any five of the following concepts as used in accounting. (10 marks)
 - i. Prudence
 - ii. Monetary measurement
 - iii. Business entity
 - iv. Dual concept
 - v. Consistency
 - vi. Historical cost
- b. Explain any five of the various users of accounting information and show how they use it. (10 marks)

Question Three

- a) Distinguish between the following terminologies as used in accounting;
- Trade Discount and Cash discount (2 marks)
 - Discount allowed and Discount Received (2 marks)
- b. The following records were extracted from a business called "All Souls Traders" in May 2012.

	(Shs)
May 1 st	Cash in hand bal f/d 165,000
	Cash at bank bal f/d 750,000
May 3 rd	Paid William and Co. by cheque 300,000
	Discount Received 30,000
May 6 th	Bought stationery for the office with cash 36,000
May 8 th	Paid sundry expenses in cash 60,000
May 9 th	Drew out cash for office use from Bank 150,000
May 12 th	Cash purchases 100,000
May 13 th	Received payment by cheque from Lawino 230,000
	Discount allowed 20,000
May 16 th	Cash sales 120,000
May 19 th	Drew out cash for own use 70,000
May 27 th	Beth paid cheque shs.400,000 less 5% discount
May 30 th	Paid Herbert Ashule by cheque 265,000
	Discount received 15,000
May 31 st	Banked all cash except 50,000

Required: Prepare a three-column cashbook for "All Souls Trader" for the month of May 2012, balance it at the end of the month, and show the discounts T- accounts. (16 marks)

Question Four

The following transactions relate to Kasoma Traders Ltd for the month of August 2012

Aug 01 Started business with 30,000,000/= in cash

- 05. Bought a building at 5,000,000/= cash
- 07. Bought stock of goods on credit from John at 10,000,000/=
- 10. Sold goods and received a cheque from Peter at 2,000,000/=
- 15. Sold goods on credit to Joseph at 500,000/=
- 17. Paid John by cheque 500,000/=
- 18. Paid electricity bill in cash 100,000/=
- 19. Purchased stock by cheque 150,000/=
- 20. Sold goods for cash 200,000/=
- 22. Received a cheque of 100,000/= and cash of 200,000/= from Joseph
- 25. Paid electricity bill by cheque 50,000/=
- 27. Paid rent in cash 500,000/=
- 28. Paid John in cash 2,000,000/=
- 30. Paid rent by cheque 100,000/=

Required:

- a) Record these transactions in a general journal.
- b) Post to the ledgers
- c) Prepare a trial balance at the end of the month.

Question Five

- a. What are the causes of disagreements between the cash book balance and the bank statement balance (5 marks)

- b. BAM Ltd found the following in an attempt to reconcile its bank balance of October 2012. The bank statement showed a balance of 2,050,000/= while the cash book showed a balance of 1,404,580/= The following were identified:

- ❑ A deposit of 145,000/= was not appearing on the statement.
- ❑ Included with the bank statement was a credit memorandum showing that the bank collected a note receivable for the company on October 24th. The note's proceeds of 500,000/= less a 15,000/= collection fee were credited to the company's account.
- ❑ The bank statement also showed a credit of 8,420/= for interest earned on the average cash balance on the account. Nothing has been recorded yet in the cashbook.
- ❑ A comparison of the cleared cheques with the company's books showed that two cheques were outstanding. Cheque no.124 for 150,000/= and cheque no. 126 for 200,000/=. Other debits in the bank statement that had not been recorded in the books included: a 23,000/= debit memorandum for cheques printed by the bank, a dishonored cheque for 20,000/= plus related processing fee of 10,000/=
- ❑ The dishonored cheque had been received from a customer Frank Jones on October 16th and had been included in that day's deposit.

Required: Prepare BAM Ltd adjusted cash book and then a bank reconciliation statement. (15 marks)

Question Six

In accounting the preparation of the trial balance is supposed to prove the accuracy of double entry system used. However the balancing of the trial balance doesn't necessarily mean that all the transactions have been accorded or the accounting process is error-free. With examples explain;

- Errors revealed by the Trial Balance (10 marks)
- Errors not revealed by the Trial Balance (10 marks)

- END -

- MERRY CHRISTMAS AND A PROSPEROUS NEW YEAR-