

UGANDA MARTYRS UNIVERSITY
Faculty of Business Administration and Management
Bachelor of Business Administration and Management BAM III
Advanced & Public Sector Accounting: Supplementary/Special Exams

Date: 20th August, 2014

Instructions:

- i. Section A has Three (3) Questions and Section B has Three (3) Questions.
 - ii. Total number of questions to answer: Four (4).
 - iii. Select at least one question from each section.
 - iv. Time allowed: **3 Hours**
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SECTION A (AT LEAST ONE QUESTION SHOULD BE ANSWERED)

QUESTION ONE

- a) Explain with illustration; Value in use, Fair value and Present value of a non-Current asset
(6 Marks)
- b) Umuja Ltd acquired a car taxi business on 1st Jan, 2011 for UGX 30,000,000. The value of the assets of the business at the date based on net selling prices were as follows;

DETAILS	UGX'000
Vehicles (12 vehicles)	120,000
Intangible assets (taxi license)	30,000
Trade receivables	10,000
Cash	50,000
Trade payables	(20,000)
Total	190,000

On 1st February, 2011, the taxi company had three of the vehicles stolen. The net selling value of the stolen vehicles was UGX 30,000,000 and because of non-disclosure of certain risks to the insurance company, the vehicles were not considered for compensation by the insurance company. As a result of this event, Umuja Ltd wishes to recognise an impairment loss of UGX 45,000,000 (inclusive of the stolen vehicles) due to the decline in the value in use of the cash generating unit, that is the taxi business. On 1st March, 2011, a rival taxi company commenced business in the same area. It is anticipated that the business revenue of Umuja will be reduced by 25% leading to a decline in the present value in use of the business. Which is calculated at UGX 150,000,000. The net selling value of the taxi licence has fallen to UGX 25,000,000 as a result of the rival taxi operator. The net selling values of the other assets have remained the same as at 1st January, 2011 through the period.

Required:

Describe how Umuja Ltd should treat the above impairments of assets in the financial statements

(19 Marks)

QUESTION TWO

- a) Explain the assertion of IAS17 as regards to leasing in accounting *(5 Marks)*
 b) Explain with illustration, classification of leases *(5 Marks)*
 c) On 1st January, 2005 Housing Finance Bank agreed to finance the lease of machinery costing UGX 37,200,000 to JB Investment Ltd at a lease cost of UGX 10,000,000 per annum payable at the end of the year, namely 31st December. The period of the lease is five years. Housing Finance Bank incurred direct costs of UGX 708,000 in setting up the contract.

Required:

Show the amount that would be charged to the statement of comprehensive income of Housing Finance Bank, ending 31st December, 2007 and the amount of the leased asset that would appear in the statement of financial position *(15 Marks)*

QUESTION THREE**BBAM Ltd****a) Trial Balance for the year ended 31ST December, 2010**

Details	UGX ('000)	UGX ('000)
Ordinary share capital @ UGX 1		300,000
Share premium		20,000
General reserve		16,000
Retained earnings as at 1 st January, 2010		55,000
Inventory as at 1 st January, 2010	66,000	
Sales		962,000
Purchases	500,000	
Administrative costs	10,000	
Distribution costs	6,000	
Plant and machinery-cost	220,000	
Plant and machinery-provision for depreciation		49,000
Returns outwards		25,000
Returns inwards	27,000	
Carriage inwards	9,000	
Warehouse wages	101,000	
Salesmen's salaries	64,000	
Administrative wages and salaries	60,000	
Hire of motor vehicles	19,000	
Director's remuneration	30,000	
Rent receivable		7,000
Trade receivables	326,000	

Cash at hand	62,000	
Trade payables		66,000
	<u>1,500,000</u>	<u>1,500,000</u>

The following additional information is supplied;

- i. Depreciate plant and machinery 20% on straight line basis
- ii. Inventory at 31st December, 2010 is UGX 90,000,000
- iii. Accrue auditor's remuneration UGX 2,000,000
- iv. Income tax for the year will be UGX 58,000,000 payable October, 2011
- v. It is estimated that 7/11 of the plant and machinery is used in connection with distribution, with the remainder for administration. The motor vehicle costs should be allocated to distribution.

Required:

Prepare a statement of comprehensive income in accordance with IAS 1. No notes to the accounts must be presented *(15 Marks)*

- b) Explain briefly the relevance of; Stewardship Orientation, and Going Concern Orientation in financial reporting *(10 Marks)*

SECTION B: AT LEAST ONE QUESTION SHOULD BE ANSWERED

QUESTION FOUR

A few months ago you secured a job with Public Service Commission as a Finance Officer in one of the Government Ministries and your responsibility includes, amongst others, to coordinate the budget preparation in your ministry. In order to effectively coordinate your assignment, you have drafted a communication to the staff of the Ministry explaining to them some of the key terms used in public finance. Communicate details of the following terms to your colleagues in concise words;

- a) Appropriation- in- Aid *(5 Marks)*
- b) Voted expenditure *(5 Marks)*
- c) Vote on account *(5 Marks)*
- d) Budget Act *(5 Marks)*
- e) Virement *(5 Marks)*

QUESTION FIVE

- a) Explain with appropriate illustration the following books/accounts commonly used in public financial management; *(4 Marks each)*
 - i. Vote books
 - ii. Abstracts
 - iii. Asset Register
 - iv. Consolidated Fund
- b) The Government Revenue and Expenditure Framework provides the basis upon which government executes her mandate in both short term and long-term. Explain with illustration, the main categories of government revenues and expenditure in Uganda *(9 Marks)*

QUESTION SIX

- a) Provide the minimum disclosure requirements for Accounting policies, Changes in Accounting Estimates and Errors in accordance with IPSAS 3 *(6 Marks)*

- b) The International Public Sector Accounting Standards (IPSAS) provides for Recognition, Measurement and Accounting for non-current assets, especially property, plant and equipment (PPE) in financial records and reports as evidenced by the International Public Sector Accounting Standard (IPSAS 17). Use your understanding of the standard to examine the following issues;
- i. The recognition, measurement and accounting criteria for property, plant and equipment
(8 Marks)
 - ii. Examine the de-recognition criteria for property, plant and equipment
(3Marks)
- c) Examine IPSAS 19 (Provisions, Contingent assets, and Contingent liabilities). Present a comprehensive criteria for recognition, measurement and disclosure of contingent assets and contingent liabilities in government accounts *(8 Marks)*

GOOD LUCK