

# UGANDA MARTYRS UNIVERSITY

Institute of Ethics and Development Studies

## FUNDAMENTALS OF ACCOUNTING 1

Year One

Semester One Final Examination

Academic Year 2013 - 2014

Thursday, 12<sup>th</sup> December 2013

10:00am - 1:00pm

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### Instructions:

1. Please read the instructions carefully before answering the questions.
  2. Read each question carefully and write legibly.
  3. Show all the necessary workings.
  4. Attempt any Four (4) questions.
  5. Be neat and orderly in presentations.
  6. Time allowed: 3hrs.
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### Question one

- (a) Distinguish between the following ( 3 marks each )
- (i) Discount received and discount allowed
  - (ii) Trade discount and cash discount

- (b) Write up a three-column cash book for Mukiibi from the details given below, then balance off this cashbook at the end of the month and show the discount accounts in the general ledger.

2012/July		UGX. "000"
July 1st	balances b/f	
	Cash	2,500
	Bank	7,400
2	Purchased goods by cheque	2,000
3	Cash sales	1,800
5	Banked cash	2,000
6	paid by cheque, in each case cash discount received 3%	
	A. John	1,500
	H. Hofman	3,000
	D. Jackson	1,400
10th	received cheques and in each case, allowing a discount of 5%	
	B. Shaw	4,000
	B, Benjamin	3,000
	Mathias	3,200
15th	Bought office furniture by cheque	3,000
20	cash drawings	500
22	paid to A. Aldleman cash less 3% discount	800
25	received cash from A. Smith less 4% discount	1,500
26	paid wages in cash	1,000
30	Banked all the cash except	240

## Question two

- (a) Define the term Bank reconciliation statement, and explain two importance of preparing it ( 5 marks)
- (b) Explain the reasons for the discrepancy OR disagreement between the bank statement and cash book balances. (10 marks)

The cash book for Uganda Martyrs University as at 31<sup>st</sup> December 2010

2010		UGX. "000"	2010		UGX. "000"
16	Balance b/f	3,419	1	young	462
21	Famb	101	6	Gray	21
31	Grock	44	30	Terrant	209
31	Will	319	30		
	Miller	246		Balance c/d	3,437
		4,129			4,129

The Bank Statement for Uganda Martyrs University as at 31<sup>st</sup> December 2010

	Debit	Credit	Balance
	UGX."000"	UGX."000"	UGX."000"
Balance			3,149
Cheque		101	3,520
Young	462		3,058
Gray	21		3,037
Cheque		44	3,081
Credit transfer : Brenda		93	3,174
Bank charges	47		3,127

From the above cashbook and bank statement of Uganda Martyrs University, you are required to prepare:

- The adjusted cash book as on 31<sup>st</sup> December 2010
- The bank reconciliation statement as on 31<sup>st</sup> December 2010

**Question three**

Enter the following transactions into the ledgers and complete the double entry for the MBK Ltd for the month of December 2010.

1<sup>st</sup>, Started business with 40 million by bank and 15 million cash

3<sup>rd</sup> obtained a bank loan of 6 million, it was deposited to a bank account.

6<sup>th</sup> bought motor vehicle from spear motors at a cost of 14,000,000/= made cash payment of 10,000,000/= and paid 2,000,000/= by cheque and promised to pay the balance later.

7<sup>th</sup> Fully settled the balance of 2,000,000/= by cheque due to spear motors ltd for the motor vehicle.

8<sup>th</sup> 2,000,000/= business cash was used to entertain friends and relatives at Serena hotel

10<sup>th</sup> bought goods from john on credit for 1,000,000/=

12<sup>th</sup> sold goods to Mary on credit for 400,000/=

15<sup>th</sup> bought goods on credit from peter 400,000/=

16<sup>th</sup> received a cheque of 150,000/= from Mary as part payment for goods taken on credit

22<sup>nd</sup> Returned goods worth 50,000/= to peter because they were defective.

25<sup>th</sup> sold goods for 4,000,000/= receiving a cheque immediately

28<sup>th</sup> paid for electricity 50,000/= by cheque and 100,000/= cash

Required To prepare; (a) the ledger accounts and balance them off and

(b) Extract the trial balance as at 31<sup>st</sup> December 2012

#### Question Four

i). Write precise notes on the following accounting concepts

- a. Materiality concept [2marks]
- b. Matching Concept [2marks]
- c. Historical OR cost concept [2marks]
- d. Business entity Concept (2 marks)
- e. Prudence concept [2marks]
- f. Dual Aspect Concept [2marks]
- g. Going concern concept {2marks}

(ii) Accounting information is useful in decision making, explain the stakeholders who are interested in accounting information. (11 marks)

#### Question five

(a) Describe the term Imprest system and explain two reasons why organizations prepare petty cash book. (8 marks)

(b) The following transactions were made in the books of Makerere Ltd.

1<sup>st</sup> May credit purchases: R. Burton shs. 2,500. C. Mathias 1500, M . Alex 9000/=

5<sup>th</sup> Credit sales S. David 4500/=, T.white 3,400/= , P. Black 2,700/=

7<sup>th</sup> credit Purchases: A Thomas 1900/=, R. Burton 1000/=, C. mathias 2000/=

9<sup>th</sup> Goods returned by us to R, burton shs. 500, C Mathias 400/=

10<sup>th</sup> Goods returned to us by: T white 200/=, P.Black 300

12<sup>th</sup> sold good by cheque 20,000 and cash 50,000/=

15<sup>th</sup> credit purchases: A. Thomas 18000/=, R. Burton shs.2500 and C mathias 8000/=

20<sup>th</sup> Credit sales: T white 1,500/=, S David 2700/=

22<sup>th</sup> Goods returned by us to: A, Thomas 200/= , C. Mathias 100

26<sup>th</sup> Goods returned to us by T. white 250/=

28<sup>th</sup> paid rent by cheque 3000/=

**Required:** Enter the above transactions in the respective subsidiary books (Journals) and open the respective ledgers (17 marks)

#### Question Six

(a) Explain the different types of errors affecting the trial balance (10 marks)

(b) Describe the accounting equation, and give two examples of each element in the accounting equation (8 marks)

(c) Explain characteristics of good accounting information (6 marks)