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UGANDA MARTYRS UNIVERSITY
FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT
BAM I SUPPLEMENTARY/ SPECIAL EXAMINATION, 2013/2014
Fundamental Accounting I- NKOZI CAMPUS

Date: 06th/ 08/ 2014

Time: 3 hours

Instructions

Show all the necessary workings.

Section A is **compulsory** and carries 40 marks. Attempt **any three questions** of your choice from section B.

Be neat and orderly in your presentations

SECTION A

The following trial balance has been extracted from the books of Mr. Cosmos, a sole trader:
 Trial Balance as at 31 December 2012

	Dr Shs '000	Cr Shs '000
Sales		414,234
Purchases	247,050	
Carriage	15,432	
Bad debts	2,631	
Provision for bad debts		390
Transport	3,990	
Lighting and heating	19,866	
Stationery	9,003	
Drawings	23,400	
Salaries	79,260	
Trade receivables	36,360	
Trade payables		19,413
Inventory at 1 January 2012	35,781	
Cash	531	
Bank	3,006 *	
Equipment at cost	174,000 *	
Accumulated depreciation. (Prov.)		57,000 *
Capital	<u>650,310</u>	<u>159,273</u> <u>650,310</u>

Additional information:

(i) Equipment is depreciated at 15% per annum.

(ii) Carriage on purchases amounted to Shs 6,633,000. It is included in the figure of carriage.

(iii) Lighting is accrued by Shs 630,000.

- (iv) The provision for bad debts is to be increased by Shs. 120,000.
- (v) Heating expenses have been prepaid by Shs. 2,640,000.
- (vi) Inventory at 31 December was Shs. 40,653,000.

Required:

- a) Journalize the adjustments (6 marks)
- b) Open up the T accounts affected and post the adjusting entries (10 marks)
- c) Prepare a Statement of Comprehensive Income for the year ended 31 December 2012 (12 marks)
- d) Prepare a Statement of Financial Position as at 31 December 2012 (12 marks)

SECTION B

Question Two

Briefly explain the following concepts as used in Accounting (4 marks each)

- i) Duality Concept
- ii) Prudence Concept
- iii) Accrual Concept
- iv) Business Entity Concept
- v) Going Concern

Question Three

* Mulondo commenced a stationary business on 1st January 2009 with his salary savings of Shs. 50,000 which he kept with KCB Bank. He transformed his personal account into a business account. He also took on his sister as his assistant in the business and was to be paid a salary of Shs. 5,000 per month. During the month of January, he carried out the following transactions:

- Jan. 1 He withdrew shs. 10,000 for use in the day-to-day operations of the business
- 2 Bought stationery worth shs. 15,000 from ABC stationers on credit, and also transferred his furniture worth shs. 10,000 from home for use in the business
- 3 Bought more stock of stationery at shs. 18,000 and paid by cheque. He also paid shs. 1,500 for transporting the stationery to the place of work paying cash
- 5 Cash sales were shs. 8,000. He also sold stationery to Katwe Primary School at shs. 14,000 on credit.
- 7 Paid ABC Stationers shs. 9,000 by cheque for stationery previously bought, he returned as well some spoilt stationery worth shs. 700 on the same day
- 10 Bought stationery worth shs. 20,000 from Kim Investments Ltd on credit
- 13 Katwe Primary School paid shs. 6,000 by cheque and returned some items worth shs. 800 which had not been ordered for
- * 20 Sold books worth shs. 23,000 to Kibuye Primary School on condition that payment is made before the end of the month
- 25 Paid salary to his assistant, by cheque.

Base *Com*

- * 30 He agreed with Picfare Industries Ltd to purchase stationery worth shs. 20,000 per month and delivery would begin early February.

Required:

- Record transactions into the books of original entry. (10 marks)
- Post the entries into the respective ledger accounts (10 marks)

Question Four

The following transactions took place between 1 - 30 November 2012 for Mukasa:

- Balances b/f:
Cash in hand Shs 1,266,000
Cash at bank Shs 23,904,000
- 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.
- Kamiti paid Mukasa a cheque of Shs 588,000.
- Cash sales paid directly into the bank Shs 294,000.
- Paid insurance by cash Shs 390,000.
- The following trade debtors paid their account after deducting 2.5% discount:
Abdul Shs 960,000
Gabriel Shs 3,840,000
Gupta Shs 3,120,000.
- Paid motor expenses cash Shs 600,000
- Cash sales Shs 588,000
- Paid salaries by cheque Shs 720,000
- Paid rent by cash 360,000.
- Received a cheque for Shs 3,000,000 being loan from Makwasi.
- Paid for stationery by cheque Shs 162,000.

Required:

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

Question Five

- Why should a trial balance be prepared? (4 marks)
- Explain **six** errors that do not affect the trial balance. (6 marks)
- The following account balances were extracted from the books of Zizu for the period ended 30 November 2012:

	Shs '000'
Purchases	148,000
Sales	224,000
Purchases returns	778
Sales returns	8,016

Bank statement

2013	DEBIT (SHS)	CREDIT (SHS)	BALANCE (SHS)
Nov 1 Balance b/d			420,000
Nov 9 11334	148,000		568,000
Nov 11 Sundries		160,000	408,000
Nov 12 Bank charges	82,000		490,000
Nov 17 Standing order: O Browne	150,000		640,000
Nov 18 Sundries		230,000	410,000
Nov 26 11335	190,000		600,000
Nov 27 Sundries		172,000	428,000
Nov 29 Dividends		128,000	300,000

Required:

- a) Write up the cash book up to date and state the new balance as on 30 November 2013. (8 marks)
- b) Draw up a bank reconciliation statement as on 30 November 2013. (8 marks)