

UGANDA MARTYRS UNIVERSITY
Institute of Ethics and Development Studies
FUNDAMENTAL ACCOUNTING I
Year One
Supplementary/Special Examination
Academic Year 2014 - 2015

Monday, 03rd August 2015

10:00am - 01:00pm

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.

Question one:

- (a) Briefly define the term depreciation and explain the causes of depreciation of non-current assets. (10 marks)
- (b) Accounting information is very necessary if decisions are to be made accurately and rationally. Explain the various users (interested parties) of accounting information (15 marks)

Question two:

The following trial balance is for Nkozi limited for the year ended 30/June / 2008.

Trial balance as at 30 June 2008		
	Dr	Cr
	(Shs)	(Shs)
		265,900
Sales	154,870	
Purchases	51,400	
Salaries and wages	530	
Lighting and heating	4,200	
Rent	2,100	
Insurance	4,110	
Motor running expenses	412	
Sundry expenses	85,000	
Buildings	1,100	
Fixtures	31,300	
Accounts receivables		15,910
Accounts payables	14,590	
Cash at bank	16,400	
Vans	30,000	
Drawings		<u>114,202</u>
Capital	<u>396,012</u>	<u>396,012</u>
Inventory at 30 June 2008 was Shs. 16,280		

Required:

To prepare a statement of comprehensive income for the year ending 30 June 2008 and later a statement of Financial Position as at 30 June 2008 (25 marks)

Question three:

(a) Write short notes on the following concepts (4 marks each)

- (i) Cost concept
- (ii) Business entity concept
- (iii) Going concern concept
- (iv) Materiality
- (v) Dual concept / double entry principle
- (vi) Money measurement concept

(b) Define the term book keeping (1 mark)

Question four:

- a) Briefly explain the reasons for the disagreement between the cash book and bank statement balances. (12 marks)
- b) The following are extracts from the cash book and the bank statement of MK Enterprises Ltd for the month of December 2012.

Cash book					
Date	Details	Amount	Date	Details	Amount
1st Dec	Balance b/d	3,419	8th Dec	B Young	462
7th Dec	F Lamb	101	10th Dec	F Gray	21
22nd Dec	G Brock	44	11th Dec	T Errant	209
31st Dec	W Terry	319			
31st Dec	S Miller	246	31st Dec	Bal c/d	3,437
		<u>4,129</u>			<u>4,129</u>

Bank Statement				
Date	Details	Debit (shs)	Credit (shs)	Balance (shs)
1st Dec	Bal c/d			3,419
7th Dec	F lamb		101	3,520
11th Dec	B Young	462		3,058
20th Dec	F Gray	21		3,037
22nd Dec	G Brock		44	3,081
31st Dec	Credit transfer: T Morris		93	3,174
31st Dec	Bank Charges	47		<u>3,127</u>

Required:

Prepare a bank reconciliation statement as at the end of December 2012. (13 marks)

Question five:

A Trial Balance is normally drawn up periodically for the purpose of testing the arithmetical accuracy of book-keeping. The balancing of Trial Balance is not "prima facie" that there are no errors committed. However there are some errors that affect the trial balance. With examples, explain those errors of a trial balance. (25 marks)

Question six:

Mr. Otema Fred opened a Retail Shop at Nkozi for selling home apparatus. The following transactions took place during the month of July 2015.

Jan 1	Began business with Cash at Bank	100,000
	Cash in hand	5,000
Jan 5	Purchased goods by cheque	15,000
Jan 8	Cash sales	23,000
Jan 12	Bought goods on credit from Linda .M	24,000
Jan 20	Sold goods on credit to Namatovu. E	33,800
Jan 25	Drew out cash for own use	1,000
Jan 27	Paid wages by cheque	6,000
Jan 30	Paid Linda M cheque in full settlement of account	24,000
Jan 31	Transferred cash into the bank	20,000

Required:

Enter the above transactions in the respective Ledgers, balance them and extract a Trial Balance at the end of that month. (25 marks)

END