UGANDA MARTYRS UNIVERSITY

FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT

DEPARTMENT OF ACCOUNTING AND FINANCE

COURSE: ADVANCED AND PUBLIC SECTOR ACCOUNTING

BAM III EVENING PROGRAM - RUBAGA

Date: 6/5/2019

Time allowed: 3 hours

Instructions to candidates:

Read the following before answering the examination questions

- Do not write anything on the question paper
- Write neatly and show all workings.
- Every question attempted should be started on a new page
- **Attempt at least one question from each section; answer four questions in all.**
- All questions carry equal marks.

SECTION A (Answer at least one question from this section)

Question One:

a) IPSAS 3 guides on the procedure for dealing with accounting policies, changes in accounting estimates and errors during writing of accounts for a government department.

Required:

Write a brief note explaining how the standard directs on the treatment of changes in accounting policies, changes in accounting estimates and errors. **(06 Marks)**

b) Write short notes on the following; **(06 Marks)**
   i) Auditor General
   ii) Public Accounts Committee
   iii) Consolidated fund

c) Explain with illustration the main books of accounts maintained in government accounts departments **(04 Marks)**

d) Distinguish between modified cash basis of accounting and modified accrual basis of accounting. **(04 Marks)**

a) In accordance with IPSAS 19: Provisions, contingent assets and Contingent liabilities;
   i) Define the terms; provision, contingent asset and contingent liability **(03 Marks)**
   ii) State the conditions for recognition of provisions **(02 Marks)**

Question Two:

Integrated Financial Management Systems (IFMS) is a robust Financial management system that has effectively worked in many parts of the world. In Uganda, the expected outcomes have not been fully achieved because of the dis-incentivised human Resource. Many institutions were using systems that were not interfacing with the IFMS, and in instances of uploading information on to the IFMS, the human element determined the pace and reliability of operations.

Required:

a)
   i) What recommendations would you give the government so as to improve on the IFMS and what were the objectives of setting up IFMS? **(05 Marks)**
   ii) Explain the current IFMS modules in operations based on the oracle E-business suite and IT package which automates processes required by public financial Management laws and Regulations in Uganda. **(06 Marks)**
   iii) Explain the role of the Secretary to Treasury as highlighted in the Public Finance Management Act 2015 **(04 Marks)**

b) A government secondary school received a school facilitation grant (SGF) of UGX. 100,000,000 from the Ministry of Education and Sports for the construction of classroom blocks. The following accountability was given by the committee;

i) On 3rd January, purchased cement from Cheap Hardware of UGX 20,000,000. This amount is not yet paid.

ii) Made payment to Cementers ltd for supply of sand worth UGX 5,000,000 on 10th January. This was paid in cash.

iii) On 10th January, ordered for aggregate stones from Cementers ltd. This amount is yet to be paid of UGX 6,000,000.

iv) Labour cost was UGX 25,000,000. UGX 10,000,000 was paid on 13th January and UGX 15,000,000 is outstanding.

v) On 14th January, paid UGX 4,000,000 cash for clay bricks from JM suppliers ltd.

vi) The sand blocks have been ordered from Lweza Clays worth UGX 5,000,000 on 15th January. They are expected to be delivered in Febrauary.

vii) Timber of UGX 6,000,000 has been ordered from Salongo & sons on 20th January. The delivery is expected in the first week of February.

viii) On 22nd January, Cheap Hardware was settled in full.

Required:

Enter the above transactions of the month of January in a vote book. **(10 Marks)**

SECTION B

Question Three:

Pascal Ltd is a progressive business entity that was started in 2000. During the years profits accumulated substantially and in 2015 the directors decided to invest in other companies to create more wealth for the shareholders. In line with this, Pascal Ltd acquired 80% of the shares of Sacred Ltd and 30% of Alpha Ltd. At the time of acquisition, the reserves of Sacred Ltd were £.160,000 and those of Alpha Ltd £.80,000. The companies' financial statements extract as at 31/10/2018 were as follows:

Statement of Comprehensive Income

	Pascal Ltd (£`000)	Sacred Ltd (£`000)	Alpha Ltd (£`000)
Sales	10,000	5,000	2,500
Cost of sales	(4,000)	(2,000)	(1,000)
Gross profit	6,000	3,000	1,500
Administrative and selling expenses	(2,500)	(1,000)	(700)
Profit from operating activities	3,500	2,000	800
Dividend received from Sacred	600	-	-
Dividend received from Alpha	90	-	-
Profit before tax	4,190	2,000	800
Taxation	(1,500)	(800)	(320)
Profit after tax	2,690	1,200	480
Dividends proposed	(1,000)	(750)	(300)
Retained profit for the year	1690	450	180
Retained profit b/d	4,000	3,000	1,500
Retained profit c/d	5,690	3,450	1,680

Statement of Financial Position

	Pascal Ltd		Sacred Ltd		Alpha Ltd	
Non-current assets	‘(£`000)	(£`000)	(£`000)	(£`000)	(£`000)	(£`000)
PPE		5,000		4,500		3,000
Investments:						
Sacred Ltd	4,000		-	-	-	-
Alpha Ltd	500	4,500	-	-	-	-
		9,500		4,500		3,000
Current Assets						
Inventory	1,200		1,700		300	
Accounts receivable	2,500		1,500		400	
Dividends receivable	690		-		-	
Bank	1,500	5890	630	3,830	100	800
Total assets		15,390		8,330		3,800
Equity and Liabilities						
Share capital: Ordinary shares of £20 2ach		6,000		3,000		1,000
Retained profits		5,690		3,450		1,680
		11,690		6,450		2,680
Current Liabilities:						
Accounts payable	(2,700)		(1,130)		(820)	
Proposed dividends	(1,000)	3,700	(750)	1.880	(300)	1,120
Total equity & liabilities		15,390		8,330		3,800

Required:

Prepare the consolidated statement of comprehensive income for the year ended 31/10/2018 and the statement of financial position of the group as at that date. (25 marks)

Question Four:

The following trial balance was extracted from the books of Redeemer Ltd; a company that is principally involved in supplying electrical and chemical products as at 31/12 2012.

Redeemer Company Ltd

Trial balance

As at 31/12/2012

	$000	$000
Administrative expenses	2,933	
Purchases	12,965	
Cash and cash equivalents	385	
Distribution costs	5,468	
Retained earnings		3,875
Dividends paid	625	
Interest paid	200	
Inventories	4,285	
Prepayments	15	
Land and buildings at cost	8,500	
Share capital		5,000
Plant and equipment at cost	5,800	
Accumulated depreciation: Land and Buildings		424
Provisions for depreciation: Plant and equipment		2,900
5% bank loan repayable 2017		4,000
Sales revenue		25,840
Share premium		1,500
Trade and other payables		1,872
Trade and other receivables	4,235	
	45,411	**45,411**

Additional information:

i. The inventories at the close of business on 31st December 2012 cost $5,162,000.
ii. Land, which is not depreciated, is included in the trial balance at a value of $3,000,000. It is to be revalued at $3,500,000 and this revaluation is to be included in the financial statements for the year ended 31st December 2012.
iii. Depreciation is to be provided for the year to 31st December 2012 as follows:
    Buildings 2% per annum on Straight line basis
    Plant and equipment 20% per annum on Reducing balance basis
iv. Depreciation is to be apportioned as follows: Cost of sales 40%; Distribution costs 40% and Administrative expenses 20 %
v. Trade receivables include a debt of $10,000 which is to be written off. Irrecoverable debts are to be classified as administrative expenses.
vi. Distribution costs of $18,000 owing at 31st December 2012 are to be provided for.
vii. The corporation tax charge for the year has been calculated as $1,475,000.

Required:

Prepare the statement of comprehensive income for the year ended 31st December, 2012; statement of changes in equity for the same period and the statement of financial position as at 31st December 2012 for publishing (25 marks).

Question Five:

a) Explain the overall considerations of IAS 1 as far as the preparation and presentation of financial statements are concerned (7 marks)

b) Construction of Ann and Dan's new store began on 1st April 2016. The following costs were incurred on the construction:

Details	**£'000**
Freehold land	4,500
Architect fees	620
Site preparation	1,650
Materials	7,800
Direct labour costs	11,200
Legal fees	2,400
General overheads	940

The store was completed on 1st January 2017 and brought into use following its grand opening on the 1st April 2017. Ann and Dan issued a **£**25m unsecured loan on 1st April 2016 to aid construction of the new store (which meets the definition of a qualifying asset). The loan carried an interest rate of 8% per annum and is repayable on 1 April 2019.

Required:

Calculate the amount to be included as the cost of property, plant and equipment in respect of the new store (IAS 16) and state what impact the above information would have on the statement of comprehensive income (if any) for the year ended 31 March 2017. (13marks)

c) Discuss the external indicators of impairment IAS 36 (5 marks)

Question Six:

Discuss the following, providing specific examples where relevant

a) Objectives of conceptual framework of accounting (5 marks)
b) Barriers to global harmonisation of accounting practice (8 marks)
c) Sources of Influence on ethical behaviour (7 marks)
d) The Fundamental principles that should guide the behaviour of accountants (5 marks)

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