

UGANDA MARTRYS UNIVERSITY

FACULTY OF BUSINESS AND MANAGEMENT

DEPARTMENT OF MICROFINANCE

BACHELOR OF ARTS IN MICROFINANCE AND ECONOMIC COMMUNITY
DEVELOPMENT

YEAR OF STUDY : THIRD YEAR, 1ST SEMESTER

COURSE UNIT : FUNDAMENTAL ACCOUNTING II

DATE OF EXAM : 15th JANUARY 2024

COURSE CODE : ACC1201

DURATION : 3 HOURS [9:00AM – 12:00 PM]

Instructions:

1. Attempt **FOUR (4)** questions in all.
2. Write neatly and show all workings.
3. Every question attempted should be started on a new page
4. All questions carry equal marks
5. Refer to other instructions in the answer booklet

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Question One

- Distinguish between Prime Cost and Overhead costs giving an example of each (4 Marks)
- The following trial balance was extracted from the books of BAM I which trades as a manufacturing business:

Details	Dr Shs	Cr Shs
Inventory of raw materials	21,000	
Inventory of finished goods	38,900	
Work in progress	13,500	
Wages (Direct =180,000/=, Factory =145,000/=)	325,000	
Royalties	7,000	
Carriage on raw materials	3,500	
Purchases of raw materials	370,000	
Productive machinery (cost 280,000/=)	230,000	
Administration computers (cost 20,000/=)	12,000	
General factory expenses	31,000	
Lighting	7,500	
Factory power	13,700	
Administration salaries	44,000	
Sales representative salaries	30,000	
Commission on sales	11,500	
Rent	12,000	
Insurance	4,200	
General administration expenses	13,400	
Bank charges	2,300	
Discounts allowed	4,800	
Carriage out wards	5,900	
Sales		1,000,000
Accounts receivable and payable	142,300	64,000
Bank - Centenary	16,800	
Bank – Stanbic		1,500
Cash	3,000	
Drawings	60,000	
Capital 1.1.2021	-	357,800
	<u>1,423,300</u>	<u>1,423,300</u>

Additional information

- Inventory of raw materials 24000/-, of finished goods is 40,000/=, work in progress is 15,000/=

2. Insurance of 1,800 was unpaid
3. Lighting, rent and insurance are to be apportioned: factory 1/3, administration 2/3.
4. Depreciation on productive machinery and administration computers at 10% per annum on reducing balance.

Required:

Prepare a statement of comprehensive income for the year ended 31/12/2021 and a statement of financial position as at 31/12/2021 [21 Marks]

Question Two

- a) Identify any 6 errors that don't affect the position of the trial balance [12 Marks]
- b) What are some of the errors that would affect the position of the trial balance? [5 Marks]
- c) What is the effect on profits if expenses are understated? [2 Marks]
- d) While extracting the trial balance of Sebagala and Sons Ltd as at 31/12/2021, it was observed that the total debits exceeded the total credits by Shs. 238,000. Discoveries later revealed the following errors.
 - i. Sales had been overcast by Shs. 15,000
 - ii. Returns outwards account had not been credited with an amount of Shs. 61,320
 - iii. A payment by a debtor Shs. 150,000 by a direct bank transfer had not been entered in the debtor's account.
 - iv. Cash purchase of Shs. 2,320 had been recorded in the cash book only
 - v. Shs. 22,000 received from a debtor had been debited to this account

Required:

Prepare Suspense account after the correction of the above errors. [6 Marks]

Question Three

- Explain the uses of control accounts (8 Marks)
- The following information was extracted from the books of a trading organization for the month of June 2022.

Details	Shs
Sales ledger balances 1 st June Dr	624,200
Cr	6,420
Purchases ledger balance 1 st June Dr	3,220
Cr	522,420
Receipts from credit customers	663,040
Payments to trade creditors	592,500
Credit sales	734,380
Cash sales	252,040
Credit purchases	435,520
Interest charged to debtors	300
Debtors cheques dishonored	6,300
Discounts receivable	28,320
Discount allowable	30,420
Returns inwards	15,640
Returns outwards	8,420
Bad debts written off	11,160
Sales ledger balances 30 th June Cr	7,920
Purchases ledger balances 30 th June Dr	4,380

Required:

From the above information prepare the debtor's ledger and creditor's ledger control accounts for the month of June, 2022. (17 Marks)

Question Four

- Mention sources of funds for nonprofit making organizations (5 Marks)
- What are some of the reasons for establishment of nonprofit making organizations? (5 Marks)

The following are the receipts and payments of a Rugby Club for the financial year ended 31st /05/2022

Receipts and payments A/C

Shs (000)		Shs (000)	
Subscriptions	8,500	Bal b/d	2,000
Donations	6,000	Payments to bar creditors	3,500
Receipts from bar debtors	12,500	Bar wages	1,500

Raffle receipts	2,500	Raffle expenses	1,000
Annual dinner	1,500	Dinner expenses	500
		Insurance	1,000
		Utilities	2,000
		Secretary's honorarium	500
		Watch man's wages	800
		Bal c/d	18,200
<u>31,000</u>		<u>31,000</u>	

The following information is also available

- a) Included in the club's assets and liabilities on 1st/06/2021 were the following

Shs

Building cost	40,000,000
Bar stock cost	2,000,000
Subscription due	1,500,000
Bar creditors	1,000,000
Prepaid insurance	600,000
Bar debtors	3,000,000

- b) Bar stock was valued at cost. 2,500,000/= on 31st/05/2022
c) Bar creditors balance on 31st/05/2022 1,400,000/= while debtors totaled to 3,500,000/= on the same date.
d) Prepaid subscriptions on 31st/05/2022 were 1,200,000/=
e) Utilities of 500,000/= accrued on 31st/05/2022
f) Depreciate building for the year ended by 10% on cost
g) 20% all expenses that are not unique to the bar should be apportioned to it.

Required:

- Prepare the club's income and expenditure A/C for the year ended 31st/05/2022(10 Marks)
- A balance sheet as at that date(5 Marks).

Question Five

- Distinguish between depreciation and amortization(2 Marks)
- What factors are considered when providing for depreciation?(3 Marks)
- Mention any two methods used to calculate depreciation. Which one is more appropriate? Why? (4 Marks)
- A computer was bought on 1st Jan 2018 at Shs. 2,000,000 it was then sold or disposed off at 31/12/2021 at Shs. 1,200,000. The computer was expected to last for a period of 10

years at the end of which it would have nil scrap value, using the straight-line method of depreciation. It's the company's policy to ignore depreciation in the year of disposal.

Prepare;

- a) Computer Account(3 Marks)
- b) Computer disposal Account(4 Marks)
- c) Accumulated depreciation of computer account(9 Marks)

Question Six

- a) "Incomplete records may be partial recording of transactions as is the case with small shopkeepers such as grocers and venders"
 - i. Mention any four features of such records (4 Marks)
 - ii. What disadvantage do such records have? (4 Marks)
 - iii. Why do business people keep incomplete records despite the disadvantages sighted above? (5 Marks)
- b)
 - i. Explain any three differences between revenue and capital expenditure (6 Marks)
 - ii. What is effect on profit when a revenue expenditure is treated as a capital expenditure (2 marks)
 - iii. State whether each of the following is a revenue or a capital expenditure(4 Marks)
 - Freight costs incurred in transporting a fixed asset
 - Depreciation to fixed assets
 - Building an extension to a house
 - Advertising costs for goods produced by a new equipment

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