UGANDA MARTYRS UNIVERSITY

FACULTY OF BUSINESS ADMINISTRATION & MANAGEMENT
SUPPLEMENTARY/SPECIAL EXAMINATION
FOR MASTER OF BUSINESS ADMINISTRATION (MBA)

COURSE : FINANCIAL ACCOUNTING & REPORTING

DATE & TIME : WEDNESDAY, 17th JULY 2024 9:30AM – 12:30PM

INSTRUCTIONS:

a) Attempt any **four (4)** questions,

b) All questions carry equal marks

c) Time allowed is **3 hours**

d) Write your answer to each question on a fresh page in your answer booklet.

e) No mobile phones are allowed in the examination room

f) Do not write anything on the question paper

g) Please, read further instructions on the answer booklet, before attempting any question.

Question 1

Superior Business Limited (SBL) has provided the following trial balance for the year ended 31st December, 2023

Details:	Debit	Credit
	Shs '000'	Shs '000'
Inventory as at 1st January 2023	67,500	
Rent expense	15,500	
Wages and salaries	165,000	
Advertising	54,400	
Bad debts	12,400	
Buildings at cost	225,000	
Land	360,100	
Fixtures and fittings at cost	126,000	
Accumulated depreciation as at 1st January 2023		
Buildings		76,500
Fixtures & fittings		32,500
Carriage in wards	23,400	
Purchases	345,000	
Returns	23,500	12,300
Sales revenue		834,900
Share capital		479,300
Trade payables		162,100
Trade receivables	124,500	
Cash at hand	12,500	
Retained earnings as at 1st January 2023	42,800	-
Total	**1,597,600**	**1,597,600**

Additional information:

i) Closing inventory is valued at Shs 45 million.

ii) Rent for the financial year ended 30 June, 2023 was Shs 21.5 million.

iii) Depreciation on non-current assets is to be provided as follows:

	Depreciation rate
Buildings	5% on cost
Fixtures & fittings	25% on reducing balance

iv) Wages & salaries amounting to shs 17,800,000 had not been paid by the end of the year

v) Advertising expense of shs 12,800,000 relates to the year ended 31st December 2022

Required:

(a) Journalize the additional information above **(5 Marks)**

(b) Prepare for SBL for the year ended 31st December 2023:

i) An income statement. **(10 marks)**

ii) A statement of financial position. **(10 marks)**

Question 2

You received the following complaints from Mr. Bernard your OB concerning some views held by his Accountant

(a) I bought a motor van some 2 years ago for ugx 22,000,000. The van is still in the garage but intend using it in my business. My friend has just informed me that the van now cost ugx 44,000,000. In view of this, I would like the Motor Van to be recorded in the books at the present market value but my accountant declined insisting that it is the ugx 22,000,000 that should be recorded.

(b) Recently, I acquired a machine on Hire Purchase from Risk International. When my legal adviser submitted documents for the transactions he stopped me from recording the machine among my assets until I finished paying for it. This however contradicts my Accountant's view, who to my knowledge had already recorded it among my assets.

c) My Accountant is always insisting on pessimistic ideas by anticipating all forms of losses even though I am still hopeful that these amounts can still be realized, I see no justification for this as it will reduce my profit and undermine my effort.

d) Mr. Dabo, a customer, had just finished negotiating on some items which I trade-in, while preparing my account for this month, My Accountant had already included it as part of sales even though the customer in question has not paid.

e) Since I employed him in January this year, he always reports to me, the financial position of my business on monthly basis. In this month, he said I made a profit of ugx 2,600,000 out of which he deducted the sum of ugx 300,000. I collected in order to fuel my personal car. I frowned at this action of my Accountant because the business is mine.

Required:

i) Write a short report explaining the accounting principles that would address each of above complaints to your OB Mr. Bernard **(10 marks)**

ii) Discuss the different users of accounting information and clearly bring out the key information they are interested in. **(15 marks)**

Question 3.

a) By giving examples, distinguish between cash and cash equivalents as applied in IAS 7 – Statement of cash flows **(4 marks)**

b) During the recent annual general meeting of Bukedde (U) Ltd, one of the members on the Board of Directors urged that cash flow maintenance and the preparation of statements of cash flows are a waste of company time and resources.

Required:

i. Explain the need for management to prepare a cash flow statement **(15 marks)**

ii. What are the limitations of preparing a cash flow statement **(6 marks)**

Question Four

(a) Following the normal accounting process, accountants are required to extract business information from the source documents and record and accordingly record them in the various books of original entry. As an MBA student, explain to the newly recruited accountant for your organization the various books of original entry that he/she can open, in each case stating the type of accounting information that is recorded. **15marks**

(b) Masaba enterprises, located in Mbale city deal in general merchandise and started business operations in September 2023,

They recorded the following transactions during the inaugural month;

1st Started business with cash shs 10,000,000

2nd Shs 7,000,000 was transferred to the bank.

4th Bought the following items;

a. Business furniture and fittings by cheque shs 4,000,000
b. Goods for sale in cash shs 3,000,000
c. Goods for sale on credit from Mulukhu traders shs 1,500,000 invoice number 009

6th Good worth shs 300,000 were returned to Malukhu traders for they were about to expire.

8th The business sold the goods as follows;

a. Cash shs 800,000
b. Credit to Nyondo retailers shs 700,000 and issued invoice number 001
c. Credit to Busiu retailers shs 500,000 and issued invoice number 002

9th Paid Malukhu traders all the amount due by cheque receiving a cash discount of 10%.

10th 10% of the goods sold to Nyondo traders were found damaged and returned to the business.

11th The business had supplied 20 litres of cooking oil worth shs 70,000 to Busiu traders in a 20litre jerycan yet the customer preferred oil packed in 1 litre jerycans. They therefore returned this cooking oil.

15th Sold good on credit Bugema traders shs 900,000 and issued invoice number 003

20th Bought goods for sale on credit from Namakwekwe traders shs 650, 000 and received invoice number 04572

25th Acquired an office chair worth shs 200,000 from Wanale furniture dealers and promised to pay for it in two weeks, receiving invoice number 3452.

30th Bugema traders cleared the amount due by cheque less 5% cash discount.

Required;

Using the available information prepare a three column cash book for Masaba enterprises. **10Marks**

Question Five

Namawa Emmanuel started a retail business On 1st March 2023 with Ugx 90,000,000 in cash. During the inaugural month he had the following transactions.
3rd Banked Ugx 75,000,000
6th Bought goods for sale Ugx 36,638,000 by Electronic Fund transfer (EFT).
8th Bought goods for sale on credit from Manafwa General traders Ugx 15,500,000.
10th Paid Manafwa General traders Ugx 8,000,000 as part payment of the amount owed.
11th Bought Furniture and fittings from Tororo Furniture dealers Ugx 13,320,000.
14th Cash sales Ugx 1,040,000.
18th Paid Open gate FM cash Ugx 100,000 for the business' radio advertisements.
20th Paid 80% of the amount due to Tororo Furniture dealers by cheque.
22nd sold goods worth 2,330,000. The amount was directly banked.
27th Paid salaries Ugx 1,800,000 in cash.
30th Namawa Emmanuel took out Ugx 1,800,000 from the cash till for personal use.

Required;
Prepare the necessary ledger accounts for Namawa Emmanuel and extract a trial balance as at 31st March 2023. **25 Marks**

Question Six

a. Soroti General traders hired ABC general accountants to audit their books of accounts for the financial year ending 31st December 2022. The exercise was however, discontinued for lack of relevant vouchers/source documents.
   AS an MBA student, you have been requested by Soroti General traders to guide the process.
   Explain to them the various source documents that may be used, clearly highlighting the meaning of each and the type of information that may be extracted from them. **15 Marks**

b. The trial balance presented by Soroti General traders had fully balanced, however, the auditors further informed them that their books of accounts had a number of errors. With clear illustrations, present to Soroti General Traders the possible errors that may be existing in their books of accounts.
   10 Marks.