UGANDA MARTYRS UNIVERSITY

FACULTY OF BUSINESS ADMINISTRATION & MANAGEMENT

DEPARTMENT OF ACCOUNTING & FINANCE

END OF SEMESTER TWO FINAL EXAMINATION FOR
DIPLOMA IN BUSINESS ADMINISTRATION
& MANAGEMENT

FUNDAMENTALS OF ACCOUNTING I

(MASAKA CAMPUS)

MONDAY, 20TH MAY 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) Do not write anything on the question paper
f) Please, read further instructions on the answer booklet, before attempting any question.

Question One

The following trail balance was extracted from the ledger of Stephen a sole trader, as at 31 May 2021 at the end of his financial year.

STEPHEN TRIAL BALANCE AS AT 31 MAY 2021		
	Dr	*Cr*
	Shs.	Shs
Property, at cost	120,000	
Equipment, at cost	80,000	
Provisions for depreciation (as at 1 June 20X0)		
– on property		20,000
– on equipment		38,000
Purchases	250,000	
Sales		402,200
Inventory, as at 1 June 20X0	50,000	
Discounts allowed	18,000	
Discounts received		4,800
Returns out		15,000
Wages and salaries	58,800	
Irrecoverable debts	4,600	
Loan interest	5,100	
Other operating expenses	17,700	
Trade payables		36,000
Trade receivables	38,000	
Cash in hand	300	
Bank	1,300	
Drawings	24,000	
Allowance for receivables		500
17% long-term loan		30,000
Capital, as at 1 June 20X0		121,300
	667,800	667,800

The following additional information as at 31 May 2021 is also available.

(a) Inventory as at the close of business has been valued at cost at shs. 42,000.

(b) Wages and salaries need to be accrued by Shs. 800.

(c) Other operating expenses are prepaid by Shs. 300.

(d) The allowance for receivables is to be adjusted so that it is 2% of trade receivables.

(e) Depreciation for the year ended 31 May 2021 has still to be provided for as follows.

(i) Property: 1.5% per annum using the straight-line method

(ii) Equipment: 25% per annum using the reducing balance method

Required

a) Prepare Stephen's statement of profit or loss for the year ended 31 May 2021 and his statement of financial position as at that date (17 marks)

b) Write short notes on the following accounting concepts (8 marks)

a. Business Entity Concept
b. Double-entry Principle
c. Substance over form Principle
d. Matching Principle

Question Two

a) Accounting information is vital to a range of users. Explain the different users of accounting information detailing the different information they need. (15 marks)

b) Discuss the different qualitative characteristics of accounting information.

Question Three

i) Ronie set up a business selling sports equipment, He put Shs. 7,000,000 his own money into a business bank account and in his first period of trading, the following transactions occurred.

Transaction		Shs.
B	Paid rent of shop for the period	3,500,000
C	Purchased equipment on credit	5,000,000
D	Raised loan from bank	1,000,000
E	Purchase of shop fittings (for cash)	2,000,000
F	Sales of equipment: cash	10,000,000
G	Sales of equipment: on credit	2,500,000
H	Payments for trade accounts payable	5,000,000
I	Payments from trade accounts receivable	2,500,000
J	Interest on loan (paid)	100,000
K	Other expenses (all paid in cash)	1,900,000
L	Drawings	1,500,000

Required:

a) Journalize the above transactions (8 marls)

b) Post the transactions in their respective ledger accounts and complete the double entry (4 marks)

c) Transfer the ledger balances to the trail balance. (5 marks)

ii) Explain the errors that are not reflected in the trial balance. (8 marks)

Question Four

What is meant by subsidiary books? (2 marks)

With examples explain the different subsidiary books known to you. (12 marks)

The following cash and bank transactions relate to the books of Mr. Abeyo

January 1	Opening cash balance was shs. 3,800 and bank balance was shs. 27,500
January 4	Wages paid in cash shs. 1,500
January 5	received cheque of shs 19,800 from KBK enterprises after allowing discount of shs 200
January 7	Paid to consultancy charges by cheque for shs. 7,500
January 10	Cash of shs 2,500 withdrawn from bank
January 12	Received a cheque for shs 4,500 in full settlement of the account of Mr. X at a discount of 10% and

Required;

Enter the above transactions in a three column cash book (11 marks)

Question Five

Differentiate between a bank statement and a bank reconciliation statement (4 marks)

Account for the disagreement between the bank statement and the cash book (10 marks)

From the following particulars of M/s Sarah enterprises, prepare a Bank reconciliation statement: (11 marks)

(1) Bank overdraft as per bank statement as on 31st March 2015 was shs 8,800
(2) Cheques deposited in Bank for shs 5,800 but only shs 2,000 were cleared till 31st March
(3) Cheques issued were shs 2,500, shs 3,800 and shs 2,000 during the month. The cheque of shs 5,800 is still with supplier.
(4) Dividend collected by Bank shs 1,250 was wrongly entered as shs 1,520 in Cash Book.
(5) Amount transferred from fixed deposit A/c into the current A/c shs 2,000 appeared only in bank statement
(6) Interest on overdraft shs 930 was debited by Bank and the information was received only on 3rd April 2015.
(7) Direct deposit by M/s Rajesh Traders shs 400 not entered in Cash Book.
(8) Corporation tax shs 1,200 paid by Bank as per standing instruction appears in bank statement only.

Question Six

a) Your manager believes that success in business in entirely being financially disciplined and no need of other factors like proper bookkeeping and or accounting. Explain to your manager the purpose of accounting. (10 marks)
b) Explain the elaborative stages of accounting. (accounting cycle) (15 marks)

END