

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

PRINCIPLES OF ACCOUNTING I – PAPER 1

WEDNESDAY, 9 DECEMBER 2009

INSTRUCTIONS TO CANDIDATES:

1. Time allowed: **3 hours 15 minutes**.
The first 15 minutes of this examination have been designated for reading time. You may not start to write your answer during this time.
2. Attempt **all** questions in Section **A**, any **three** questions in Section **B** and **one** question in Section **C**.
3. Section **A** has **twenty** compulsory multiple-choice questions, each carrying $1\frac{1}{2}$ marks.
4. Section **B** has **four** questions and only **three** are to be attempted. Each question carries 20 marks.
5. Section **C** has **two** questions and only **one** is to be attempted. Each question carries 10 marks.
6. Please read further instructions on the answer booklet.

SECTION A

Question 1

- (i) The following are classes of accounts **EXCEPT**:
 - (a) personal accounts.
 - (b) ledger accounts.
 - (c) nominal accounts.
 - (d) real accounts.
- (ii) The following mainly have debit entries **EXCEPT**:
 - (a) sales returns.
 - (b) drawings.
 - (c) commission received.
 - (d) business losses.
- (iii) Which of the following description does **NOT** define accounting?
 - (a) Recording.
 - (b) Classifying and summarizing.
 - (c) Reporting.
 - (d) Budgeting.
- (iv) The statement of financial position does **NOT** include:
 - (a) expenses for the period.
 - (b) non-current assets.
 - (c) current liabilities.
 - (d) current assets
- (v) A statement of comprehensive income does **NOT** include:
 - (a) profit or loss for the period.
 - (b) trade receivables.
 - (c) revenue.
 - (d) finance costs.
- (vi) Which of the following items does **NOT** relate to current assets?
 - (a) Items expected to be consumed in the normal operating cycle.
 - (b) An item is held for more than 12 months after the reporting period.
 - (c) An item is held primarily for the purpose of trading.
 - (d) An item is expected to be sold within 12 months after the reporting period.

- (vii) Which of the following is **NOT** an asset?
- (a) Trade receivables.
 - (b) Closing inventories
 - (c) Trade payables.
 - (d) Advance payments
- (viii) The assumption that an entity will continue to operate for the foreseeable future is called.
- (a) Accruals basis.
 - (b) Faithful representation
 - (c) Consistency
 - (d) Going concern
- (ix) Which of the following elements of financial statements is most closely related to the measurement of performance?
- (a) Expenses.
 - (b) Assets.
 - (c) Equity.
 - (d) Liabilities.
- (x) Which of the following elements of financial statements is most closely related to measurement of financial position?
- (a) Income.
 - (b) Equity.
 - (c) Expenses.
 - (d) Capital maintenance adjustment.
- (xi) Resources controlled by a company as a result of past events are:
- (a) equity.
 - (b) liabilities.
 - (c) assets.
 - (d) comprehensive income.
- (xii) A debt due within one year is considered:
- (a) convertible.
 - (b) preferred.
 - (c) long term.
 - (d) current.

- (xiii) Money received from customers for the products to be delivered in the future is recorded as:
- (a) an asset and a liability
 - (b) a revenue and a liability
 - (c) revenue and an asset.
 - (d) an asset and shareholders' equity.
- (xiv) When a company pays its rent in advance, its statement of financial position will reflect a reduction in:
- (a) assets and liabilities.
 - (b) one category of assets and an increase in another.
 - (c) assets and capital.
 - (d) liabilities and share holders funds.
- (xv) What is the amount of capital given the following information?
- | | Shs '000' |
|---------------------|-----------|
| Plant and machinery | 90,000 |
| Closing inventory | 16,800 |
| Bank | 2,250 |
| Trade payables | 6,600 |
| Loan from Konde | 21,000 |
- (a) Shs 63,450,000
 - (b) Shs 109,050,000
 - (c) Shs 81,450,000
 - (d) Shs 123,450,000.
- (xvi) Which of the following will **NOT** appear on the credit side of the receipts and payments accounts for Maendeleo Club?
- (a) Committee expenses
 - (b) Wages
 - (c) Printing and stationery
 - (d) Subscriptions received.
- (xvii) How do you arrive at the balance as per bank statement given an overdraft as per cash book?
- (a) Add uncredited cheques less unpresented cheques.
 - (b) Less uncredited cheques add unpresented cheques.
 - (c) Add only bank lodgments.
 - (d) Less only unpresented cheques

- (xviii) A suspense account records:
- (a) incorrect additions in any account.
 - (b) balance equal to difference in trial balance.
 - (c) entry on only one side.
 - (d) different amounts on the credit side and debit side.
- (xix) A motor vehicle costs Shs 19,200,000. It will be kept for 3 years and sold as scrap at the end of the 3rd year at Shs 600,000. Using reducing balance method, what will be the depreciation charge at the end of the 3rd year?
- Note: Depreciation per annum is at 40%.
- (a) Shs 6,200,000
 - (b) Shs 6,400,000
 - (c) Shs 2,764,800
 - (d) Shs 2,678,400
- (xx) Which of the following items will not appear in the sales ledger control account?
- (a) Credit sales.
 - (b) Returns inwards.
 - (c) Cash received.
 - (d) Returns outwards.

SECTION B**Question 2**

- (a) What is the dual aspect in accounting?
(2 marks)
- (b) Briefly explain the following errors and state their effect on the trial balance:
(i) Error of principle.
(ii) Error of complete reversal of entries.
(iii) Casting error.
(6 marks)
- (c) Given below are the ledger accounts for Kabiliti for the year ended 30 November 2009:

	Shs '000'
Good will	30,000
Bad debts	2,556
Commission received	7,710
Motor vehicles	4,500
Furniture	2,700
Premises	22,800
Warehouse wages	6,900
Discount received	147
Trade payable	7,704
Trade receivables	15,372
Carriage inwards	492
Carriage outwards	350
Returns inwards	496
Returns outwards	360
Cash in hand	1,488
Machinery	7,500
Office salaries	14,256
Sales	107,922
Inventory at 1 December 2008	8,700
Postage	339
Office expenses	1,653
Bank loan	12,000
Capital	41,499
Rates and Insurance	2,703
Light and heat	1,659
Purchases	51,435
General expenses	1,443

Required:

Prepare a trial balance as at 30 November 2009.

(12 marks)

(Total 20 marks)

Question 3

- (a) Distinguish between discounts allowed and discounts received and state their accounting treatment in the statement of comprehensive income.

(4 marks)

- (b) Mafuruko is a sole trader and the following transaction occurred in the month of November 2009.

1 Nov.	Received a cheque from Lumbe of Shs 1,480,000.
3 Nov.	Paid wages to the worker in cash Shs 510,000.
7 Nov.	Paid mawingo Shs 1,055,000 by cheque in full settlement of his account of Shs 1,120,000.
10 Nov.	Received Shs 730,000 cash for sale of damaged stock and on the same day paid Muko Shs 5,115,000 by cheque in full settlement of his account of Shs. 5,255,000.
12 Nov.	Paid wages in cash 520,000.
15 Nov.	Received a cheque of Shs 2,500,000 from Wakida Ltd.
17 Nov.	Paid Shs 105,000, Telephone charges cash.
19 Nov.	Paid wages in cash Shs 510,000.
21 Nov.	Withdrew Shs 1,000,000 from bank for office imprest.
26 Nov.	Paid wages in cash 525,000.
27 Nov.	Received Shs 1,585,000 from Kangave in full settlement of account of Shs 1,625,000.
30 Nov.	Paid Shs 1,300,000 cash into the bank.

The liquidity balances on 1 November 2009 were cash in hand Shs 290,000 and Bank overdraft of Shs 7,350,000.

Required:

Open and balance off the ledger accounts of Mafuruko as at 30 November 2009.

(16 marks)

(Total 20 marks)

Question 4

The following trial balance was extracted from the books of Janta, a wholesale businessman in Kikuubo on 30 November 2009:

	DR	CR
	Shs '000'	Shs '000'
Capital		53,400
Drawings	3,000	
Premises	15,000	
Advertising	414	
Motor vans	2,814	
Purchases and sales	205,496	220,716
Opening inventory	6,108	
Trade receivables and payables	44,694	28,710
Insurance	609	
Bad debts	111	
Return inwards	201	
Returns outwards		1,209
Furniture and fittings	3,330	
Telephone expenses	135	
Rates and water	336	
Wages	8,544	
Light and heating	306	
Postage	447	
Cash in hand	1,089	
Balance at bank	11,401	
	<u>304,035</u>	<u>304,035</u>

Additional Information

- (i) Inventory at 30 November 2009 was valued at Shs 28,935,000.
- (ii) 20% per annum on cost of Shs 4,500,000 should be written off motor van.
- (iii) 10% per annum should be written off furniture and fitting.
- (iv) Wages accrued amount to Shs 102,000.
- (v) A provision for bad debts of Shs 690,000 is to be created.
- (vi) Premises to be depreciated for 10 years straight line.

Required:

Prepare a:

- (a) Statement of comprehensive income for the year ended 30 November 2009. **(12 marks)**

- (b) Statement of financial position as at 30 November 2009.

(8 marks)

(Total 20 marks)

Question 5

- (a) List **three** limitations of the receipts and payment account as a record of club activities.

(6 marks)

- (b) The information below relates to the activities of Nalule Football Club for the season ended 30 June 2009:

	Shs '000'
Subscription for the current year	720,000
Subscription for the previous year	16,500
Gate collection profits	271,500
Accumulated fund of the club at start	3,675,000
Purchase of balls for the club	30,750
Purchase of boots and uniform to last for 2 yrs	481,500
Payment for the coach	75,000
Printing and stationery	45,000
Treatment for the players	37,500
Transport for players	9,450
Donation by club to victims of famine in Teso	60,000
Purchase of land for training ground	300,000

Required:

- (i) Prepare a statement of income and expenditure for the period ended 30 June 2009.

(10 marks)

- (ii) Give reasons for the items you have omitted when preparing the income and expenditure statement.

(4 marks)**(Total 20 marks)**

SECTION C

Question 6

- (a) In regard to partnership accounting, state five rules to be followed by the partners where there are no clear written guidelines by the partners.
(5 marks)
- (b) Mention **five** items that can be considered in the appropriation account for the partners.

(5 marks)

(Total 10 marks)

Question 7

In relation to company accounts, write short notes on each of the following:

- (a) Ordinary shareholders.
- (b) Preference shareholders.
- (c) Debentures.
- (d) Share premium.
- (e) Revenue reserves.

(10 marks)