

# THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

*A Committee of the Council of ICPAU*

## ATC (U) EXAMINATIONS

### LEVEL ONE

#### PRINCIPLES OF ACCOUNTING I – PAPER 1

**MONDAY, 26 NOVEMBER 2012**

#### 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. This examination contains Sections **A**, **B** and **C**.
3. Section **A** is bound separately from Sections **B** and **C**.
4. Attempt all the 20 multiple - choice questions in Section **A**. Each question carries 1½ marks.
5. Attempt **three** of the **four** questions in Section **B**. Each question carries 20 marks.
6. Attempt **one** of the **two** questions in Section **C**. Each question carries 10 marks.
7. Write your answer to each question on a fresh page in your answer booklet.
8. Please, read further instructions on the question paper and answer booklet, before attempting any question.

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**SECTION B**

*Attempt three of the four questions in this section.*

**Question 2**

The following trial balance was extracted from the books of Ofwono, a wholesale trader in Tororo Municipal Council as at 30 April 2012:

	Shs '000'	Shs '000'
Capital		40,236
Inventory 1 May 2011	10,880	
Petty cash	220	
Bank overdraft		10,088
Accounts receivable / payable	28,036	26,940
Motor van (cost Shs 8,000,000)	6,000	
Drawings	9,836	
Fittings and fixtures (cost Shs 16,000,000)	15,200	
Purchases / sales	133,744	201,044
Provision for bad debts		648
Sales returns / purchases returns	960	480
Carriage inwards	2,184	
Carriage outwards	2,880	
Rent and rates	2,504	
Salaries and wages	20,904	
General expenses	3,680	
Interest and bank charges	224	
Discount allowed/received	260	236
Buildings	41,200	
Bad debts	<u>960</u>	<u>-</u>
	<u>279,672</u>	<u>279,672</u>

Additional information:

- (i) Closing inventory was valued at Shs 17,080,000.
- (ii) Wages and salaries outstanding amounted to Shs 1,704,000.
- (iii) Rates paid in advance Shs 400,000
- (iv) The provision for bad debts is to be increased to Shs 1,040,000.
- (v) Provide for depreciation as follows:  
 Motor van 25% on cost.  
 Fixtures and fittings 5% on cost.

**Required:**

Prepare Ofwono's statement of:

- (a) comprehensive income for the period ended 30 April 2012.

**(12 marks)**

- (b) financial position as at 30 April 2012.

**(8 marks)**

**(Total 20 marks)**

**Question 3**

The following trial balance was extracted from the books of Oketa as at 31 May 2012 which refused to balance and the difference was put on a suspense account.

Details	Debit Shs '000'	Credit Shs '000'
1 Sales		47,700
2 Purchases	25,800	
3 Wages	1,902	
4 General expenses	420	
5 Fixtures	61,000	
6 Trade receivables/payables	13,360	21,820
7 Cash in hand	40	
8 Cash at bank	3,020	
9 Capital		43,350
10 Drawings	1,400	
11 Suspense account	<u>5,928</u>	<u>.....</u>
	<u>112,870</u>	<u>112,870</u>

On investigation the following errors were discovered:

- The purchases account in the general ledger had been undercast by Shs 2 million.
- The wages expense balance of Shs 1,830,000 was recorded in the trial balance as Shs 1,902,000.
- Sales to Namukasa of Shs 3 million was correctly recorded in the sales day book but was posted to her account in the sales ledger as Shs 5 million.
- Purchases of Shs 4 million from Okema was recorded in the purchases day book but was not posted to his account in the purchases ledger.
- The opening balance of Shs 50 million in the fixtures account was brought forward as Shs 40 million.

**Required:**

- (a) Prepare journal entries necessary to correct the errors. **(10 marks)**
- (b) Prepare ledger accounts including a suspense account to correct the errors in the transactions above.

**(10 marks)**  
**(Total 20 marks)**

**Question 4**

- (a) Explain what is meant by 'non-profit-making organizations' and give at least one example. **(3 marks)**
- (b) The treasurer of MCA Cricket Club has provided you with the following summary of the club's receipts and payments account for the period ended 31 March 2012:

Dr			Cr
	Shs '000'		Shs '000'
Balances b/d		Rent	117,000
Bank	31,500	Printing	9,000
Cash	5,000	Affiliation fees	6,000
Subscriptions:		Treasurer's expenses	18,500
March 2011	7,000	Refreshments	30,500
March 2012	68,000	Annual social event expenses	51,000
March 2013	10,000	Equipment	13,000
Fees per game	85,000	Balances c/d	
Annual social event income	<u>67,000</u>	Bank	24,500
		Cash	<u>4,000</u>
	<u>273,500</u>		<u>273,500</u>

The treasurer has also provided you with the following information:

	31.03.2011	31.03.2012
	Shs '000'	Shs '000'
Amounts due to the club:		
Subscriptions	7,000	6,000
Fees per game	39,000	26,500
Annual social event income	3,000	
Amounts outstanding from the club:		
Rent	36,000	27,000
Printing	-	1,500
Treasurer's expenses	2,000	4,000
Refreshments	6,500	6,000

The cost of equipment at 31 March 2011 was Shs 75 million and it is depreciated at 20% per annum on cost.

**Required:**

- (i) Calculate the Club's accumulated fund as at 31 March 2011. (5 marks)
  - (ii) Prepare an income and expenditure statement for the club for the period ended 31 March 2012. (12 marks)
- (Total 20 marks)**

**Question 5**

Show how each of the following transactions will be recorded in the ledgers:

- (a) Akello received a commission of Shs 40 million from a deal of selling land.
- (b) Baguma paid a commission of Shs 20 million to have his goods received quickly from a clearing agent.
- (c) Candiru received rent Shs 70 million cash.
- (d) Dada paid insurance by cheque Shs 30 million.
- (e) Emuron bought a computer on credit from Computer Supplies Ltd at Shs 5 million.
- (f) Friday returned goods to Johnson Shs 10 million.
- (g) Goloola performed a service to clients worth shs 12 million and let them pay later.
- (h) Higenyi purchased office supplies worth Shs 4 million on account from Musumbukano.
- (i) Irumba invested Shs 40 million cash in his Car Washing Bay business.
- (j) Jaggwe paid Mwangi Shs 20 million on account.

**(Total.20 marks)**

**SECTION C**

**Question 6**

- (a) Explain why an allowance for doubtful debts is made. (2 marks)
- (b) State the accounting treatment for each of the following:
- (i) An increase in allowance for doubtful debts. (2 marks)
  - (ii) A decrease in allowance for doubtful debts. (2 marks)
  - (iii) Bad debts recovered. (4 marks)
- (Total 10 marks)

**Question 7**

State and briefly explain **five** basic characteristics of a partnership. (10 marks)

(Total 10 marks)