

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC (U) EXAMINATIONS

LEVEL ONE

PRINCIPLES OF ACCOUNTING I – PAPER 1

TUESDAY, 4 JUNE 2013

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 1¹/₂ 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.

SECTION B

Attempt three of the four questions in this section.

Question 2

The following transactions relate to the business of Lubonge for the month of May 2013:

Date	Details	Shs '000'
1	Balances b/d – Cash	3,100
	Bank	35,710
3	The following customers paid their accounts by cheque in each case deducting 5% cash discount:	
	Gomba	1,300
	Panga	1,600
	Tambula	2,100
4	Paid rent by cheque	2,150
7	Received a loan by cheque from Bongo	25,000
8	Paid the following suppliers by cheque deducting 2.5% cash discount:	
	Rutto	3,600
	Gonda	4,800
	Lungu	8,000
11	Paid garage expenses in cash	405
12	Jakuzi paid his account of Shs 450,000 by cheque deducting a discount of Shs 10,000	440
17	Paid wages in cash	2,900
18	The following settled their accounts by cheque each deducting 5% cash discount:	
	Pongo	2,700
	Luddo	3,500
	Ochieng	2,600
21	Withdrew cash from bank for office use	2,000
23	Cash drawings	1,000
25	Paid Patrick his account of Shs 800,000 by cash deducting Shs 25,000 cash discount	775
28	Bought furniture paying by cheque	3,600
30	Received commission by cheque	600

Required:

Prepare a three column cash book for Lubonge and derive totals for cash, bank and discounts.

(20 marks)

Question 3

The following trial balance was extracted from the books of Kallu as at 31 May 2013:

	Debit Shs '000'	Credit Shs '000'
Capital		83,800
Trade receivables/ payables	24,000	26,090
Motor expenses	1,080	
Purchases/ sales	136,690	170,535
Motor van at cost	7,500	
Discounts allowed/ received	1,165	3,015
Salaries for office staff	5,000	
Cash	7,395	
Rates	2095	
Drawings	16,250	
Advertising	3,435	
Bank loan		25,000
Interest on loan	2,500	
Buildings at cost	50,000	
Wages for salesmen	13,155	
Bad debts	190	
Bank overdraft interest	120	
Lighting and heating	2,475	
Furniture at cost	19,000	
Opening inventory	17,335	
Bad debts provision 1 June 2012		945
	<u>309,385</u>	<u>309,385</u>

Additional information:

- Accrued at 31 May 2013:
Salesmen's wages Shs 625,000, lighting Shs 50,000, office salaries Shs 75,000.
- Prepaid at 31 May 2013:
Rates Shs 100,000, motor van expenses Shs 25,000 (included in motor expenses).
- Advertising expenditure to be carried forward amounts to Shs 2,595,000.
- Provision for bad debts is to be equal to 5% of trade receivables.
- Inventory at 31 May 2013 amounted to Shs 17,500,000.
- There was inventory on 31 May 2013 of charcoal for heating amounting to Shs 55,000.

7. Depreciation is to be provided for as follows on cost:

Buildings	2.0%
Furniture	10%
Motor van	20%

Required:

Prepare a statement of:

(a) comprehensive income for the year ended 31 May 2013. **(12 marks)**

(b) financial position as at 31 May 2013. **(8 marks)**

(Total 20 marks)

Question 4

The manager of Dubana Pool Club has provided the following summary of the cash book for the year ended 31 October 2012:

Dr	Shs '000'		Cr	Shs '000'
Balances b/d:		Rent		46,800
Cash	2,000	Stationery		3,600
Bank	12,600	Accreditation fees		2,400
Subscriptions for:		Manager's expenses		7,400
2011	2,800	Refreshments		12,200
2012	27,200	Annual competition expenses		20,400
2013	4,000	Balances c/d:		
		Cash		1,600
Fees from games	34,000	Bank		9,800
Annual competition revenue	<u>21,600</u>			
	<u>104,200</u>			<u>104,200</u>

Additional information:

1. Balances as at 31 October:	2011	2012
	Shs '000'	Shs '000'
Amounts due to the club:		
Subscriptions	2,800	2,400
Fees from games	15,600	10,600
Annual competition revenue	1,200	-
Amounts owing from the club:		
Rent	14,400	10,800
Stationery		600
Manager's expenses	800	1,600
Refreshments	2,600	2,800

2. On 1 November 2011, the club had pool tables carried at a cost of Shs 35,200,000. Depreciation on the pool tables is 12.5% per annum.

Required:

Prepare the club's:

- (a) accumulated fund as at 1 November 2011. **(5 marks)**
 (b) income and expenditure statement for the period ended 31 October 2012. **(15 marks)**
(Total 20 marks)

Question 5

The summary of transactions in the bank column of the cash book for Mutete, a sole proprietor, for the year ending 30 April 2013 is given below:

- | | Shs '000' |
|---------------------|---------------------|
| (i) Opening balance | 1,640 |
| Receipts | <u>405,500</u> |
| | 407,140 |
| Payments | <u>406,010</u> |
| Closing balance | <u><u>1,130</u></u> |
- (ii) Two of Mutete's debtors, Judith Nandutu and Wambedde, settled their debts by paying Shs 240,500 and Shs 102,500 respectively directly into Mutete's bank account. The transactions have not yet been recorded in the cash book.
- (iii) The bank paid, on on standing order from Mutete, Shs 120,000 for DSTV subscription and Shs 310,000 as house rental for Mutete for the month of April 2013. The cashier for Mutete has not yet made adjustments for these transactions in the cash book.
- (iv) During the preparation of the cash book, Mutete's assistant entered a cheque paid to one of the suppliers of Shs 129,000 as Shs 192,000. He also under cast the debit side of the cash book by Shs 182,000.
- (v) The bank had charged Mutete's account Shs 19,500 for ledger fees. It had also credited Mutete's account with Shs 33,700 interest for the month of April 2013. These have not yet been entered in the cash book.
- (vi) The following cheques, paid to Mutete's suppliers had been entered in the cash book but by the time Mutete obtained his statement from the bank, they had not yet been presented for payment: Reny Kasule Shs 702,000, Big Size Shs 225,000 and Bad Head Shs 422,800.

- (vii) Cheques received from Brian Mutale Shs 590,000, Matia Mulumba Shs 100,500 and Peace Katale Shs 156,100 paid into the bank had not yet been credited to Mutete's account by the time Mutete obtained his bank statement.
- (viii) The bank statement showed a favourable balance of Shs 1,805,400 at 30 April 2013.

Required:

- (a) Prepare an adjusted cash book and bank reconciliation statement for Mutete as at 30 April 2013.
(17 marks)
- (b) Give three reasons why it is necessary to prepare a bank reconciliation statement at the end of each accounting period.

(3 marks)
(Total 20 marks)

SECTION C

Attempt one of the two questions in this section.

Question 6

Classify the following expenditure as capital or revenue:

- (i) Purchase of patent rights.
- (ii) Installation of switchboard and fixed telephone line.
- (iii) Purchase of new punch and stapler.
- (iv) Legal expense incurred on the purchase of land for the business.
- (v) Carriage and insurance costs incurred on equipment for the factory.
- (vi) Monthly rentals paid in advance.
- (vii) Renewal fees for the patent rights.
- (viii) Road license fees for distribution vans.
- (ix) Legal fees of collecting debts.
- (x) Carriage costs on purchases.

(10 marks)

Question 7

Giving an example in each case, list any **five** errors that may be detected by a trial balance

(10 marks)