

# THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

*A Committee of the Council of ICPAU*

## ATC (U) EXAMINATIONS

### LEVEL ONE

#### PRINCIPLES OF ACCOUNTING I – PAPER 1

**MONDAY, 25 NOVEMBER 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  $1\frac{1}{2}$  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**

- (a) (i) What is meant by the term 'trial balance'? **(2 marks)**  
 (ii) Explain the purpose of preparing a trial balance. **(2 marks)**
- (b) The following account balances were extracted from the books of Achile for the period ended 31 October 2013:

Details	Shs '000'
Capital	600,000
Prepaid insurance	6,000
Land at cost	400,000
Sales	1,500,000
Commission earned	90,000
Salaries payable	49,000
Cash in hand	62,000
Bank overdraft	248,200
Repairs and renewals	14,600
Purchases	1,080,000
Carriage inwards	43,000
Rent receivable	123,000
Discount received	50,200
Plant & machinery at cost	770,000
Carriage outwards	54,000
Returns outwards	40,000
Advertising expenses	34,600
Rates and taxes	82,000
Discount allowed	36,200
Returns inwards	38,400
Accumulated depreciation: Plant & machinery	58,400
Inventory 1 November 2012	150,000
Drawings	34,000
Trade receivables	136,000
Trade payables	182,000
Investments	75,000
Bills payable	10,000
Interest received on investments	1,500
Loan – Tomson	3,500
Bad debts	900
Other payables	257,868
Provision for doubtful debts	1,400
Other receivables	12,368

**Required:**

Prepare Achile's trial balance as at 31 October 2013.

**(16 marks)**  
**(Total 20 marks)**

**Question 3**

The following list of account balances was extracted from the books of Byarugaba for the period ended 31 March 2013:

Details	Shs '000'
Capital 1 April 2012	26,000
Drawings	5,400
Trade receivables	5,070
Trade payables	4,500
Inventory at 1 April 2012	17,922
Purchases	19,000
Sales	47,928
Returns inwards	2,534
Returns outwards	924
Wages	4,614
Salaries	1,716
Carriage inwards	940
Discounts allowed	708
Discounts received	660
Advertising	626
Bad debts	220
General expenses	1,020
Rates	550
Lighting and heating	672
8% loan from Jones	8,000
Insurance	9,000
Cash in hand	160
Cash at bank	660
Motor vehicles	2,200
Premises	13,000
Goodwill	2,000

Additional information:

1. Inventory at 31 March 2013 amounted to Shs 9,622,000.
2. Accruals at 31 March 2013:
  - Wages Shs 753,000.
  - Interest on loan.
  - Electricity Shs 277,000.
3. Prepaid at 31 March 2013:
  - Rates Shs 205,000.
  - Insurance Shs 6,893,000.

4. Owner drew goods worth Shs 20,000 per week for private use. There were 52 weeks in the year.
5. Motor vehicles to be depreciated at 20% per annum on cost.

**Required:**

Prepare a:

- a) statement of profit or loss and other comprehensive income for the year ended 31 March 2013. **(12 marks)**
- b) statement of financial position as at 31 March 2013. **(8 marks)**

**(Total 20 marks)**

**Question 4**

Ayokya has been operating a grain milling business with assistance of his niece who has reasonably kept the records well. However, with the departure of his niece early in the year, the records are now in a very poor state.

You have been able to ascertain the following for the year ended 31 October 2013:

Details	1 November 2012 Shs '000'	31 October 2013 Shs '000'
Inventory	73,640	70,480
Trade receivables	18,800	14,000
Trade payables	42,960	39,920
Cash	25,880	19,920
Bank	7,500	6,000 (overdrawn)
Equipment	16,000	14,400
Motor van	14,800	-
Furniture and fittings	12,000	-

Additional information:

1. During the year, Ayokya sold the motor van and purchased a new one for Shs 34 million which was valued at Shs 30.6 million at 31 October 2013
2. During the year Ayokya also bought some furniture and fittings. The value of these items was Shs 20 million at 31 October 2013.
3. On 31 October 2013, there were outstanding power bills of Shs 2 million and accrued wages of Shs 1.5 million.
4. On 31 October 2013, rent paid in advance amounted to Shs 11,600,000.
5. Provision for bad debts of Shs 1.4 million to be made.

6. During the year, Ayokya drew Shs 4 million per month in cash and flour worth Shs 10,000 per week for his own use. There were 52 weeks in the year.

**Required:**

Prepare a:

- (a) statement of affairs for Ayokya as at 1 November 2012. **(7 marks)**
- (b) statement of affairs for Ayokya as at 31 October 2013. **(10marks)**
- (c) Compute the profit/ loss made by Ayokya for the period ended 31 October 2013.

**(3 marks)****(Total 20 marks)****Question 5**

A, B and C are in a partnership sharing profits/losses in the ratio 5:4:1. Interest at 5% per annum is allowed on capital accounts and charged on drawings. No interest is allowed on current account balances. B and C receive salaries of Shs 8 million and Shs 16 million per annum respectively.

The following trial balance was extracted from the books of A, B and C partnership as at 31 December 2012:

Details	Debit Shs '000'	Credit Shs '000'
Capital accounts: A		20,000
B		18,000
C		2,000
Current accounts: A		6,000
B		2,000
C		4,000
Drawings: A	16,000	
B	12,000	
C	8,000	
Net assets	55,500	
Profit for the year		<u>39,500</u>
	<u>91,500</u>	<u>91,500</u>

Additional information:

A and B made their drawings in two equal installments on 30 June 2012 and 31 December 2012 while C drew at the end of each quarter Shs 2 million.

**Required:**

- (a) Prepare a statement showing the appropriation of profits among A, B and C for the period ended 31 December 2012. (9 marks)
- (b) Prepare the partners':
- (i) current accounts. (9 marks)
- (ii) capital accounts as 31 December 2012. (2 marks)
- (Total 20 marks)**

**SECTION C**

*Attempt **one** of the **two** questions in this section.*

**Question 6**

- (a) What is meant by 'non-profit making organizations'? (2 marks)
- b) List **four** examples of non-profit making organizations. (4 marks)
- c) State any **four** sources of revenue for non-profit making organizations. (4 marks)
- (Total 10 marks)**

**Question 7**

Write brief explanatory notes on each of the following in relation to company accounts:

- (a) Preference shares.
- (b) Fixed debentures.
- (c) Preliminary expenses.
- (d) Revenue reserves.
- (e) Capital reserves.
- (10 marks)**