

# THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

*A Committee of the Council of ICPAU*

## ATC(U) EXAMINATIONS

### LEVEL ONE

#### PRINCIPLES OF ACCOUNTING I – PAPER 1

**MONDAY, 1 JUNE 2015**

#### 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) State any **five** contents of a partnership agreement.

**(5 marks)**

- (b) The following is a trial balance relating to K & B partnership as at 30 June 2014:

	Shs '000'	Shs '000'
Land and buildings (cost)	45,000	
Delivery van (cost)	15,000	
Furniture & fittings (cost)	10,000	
Inventory 1 July 2013	8,000	
Purchases	12,000	
Sales		46,000
Accounts receivable	9,000	
Accounts payable		4,000
Long-term loan		7,800
Cash at bank	11,000	
Rent	2,500	
Bad debts	1,500	
Salesmen's commissions	800	
Discounts allowed	3,000	
Discounts received		2,500
Carriage outwards	1,500	
Carriage inwards	1,000	
Lighting and heating	3,500	
Delivery van repair	1,500	
General expenses	2,000	
Accumulated depreciation:		
Buildings		24,000
Delivery van		1,500
Furniture & fittings		1,000
Capital accounts: K		15,000
B		12,000
Current account: K		9,500
B		4,000
	<u>127,300</u>	<u>127,300</u>

	1 January 2014	31 December 2014
	Shs'000	Shs'000
Cash in hand	1,500	500
Liabilities		
Long-term loan	17,500	10,500
Accounts payable	8,500	10,150

Additional information:

1. Cash receipts from debtors and cash payments to creditors during the year amounted to Shs 11.5 million and Shs 6.2 million respectively.
2. Cash sales and cash purchases for the year amounted to Shs 15 million and Shs 9.5 million respectively.

**Required:**

- (i) Prepare Mr. Walala's statement of affairs as at 1 January 2014.  
(5 marks)
  - (ii) Compute Mr. Walala's total purchases and total sales for the year ended 31 December, 2014.  
(5 marks)
- (c) The following are lists of receipts and payments for Yiya Sente association for the year ending 30 June 2014:

Particulars	Shs '000'
Donations	25,000
Rent received	5,000
Utilities	4,000
Salaries and wages	10,000
Insurance	3,000
Motor repairs	1,500
Members' subscription	20,000
Receipts from hire of tents and chairs	7,000
Catering expenses	7,000
Stationery and printing	6,000
Office expenses	3,000
Entertainment expense	1,500

**Required:**

Prepare an income and expenditure account for Yiya Sente association for the year ended 30 June, 2014.

(6 marks)  
(Total 20 marks)



**Question 4**

- (a) Explain any **six** errors that may not affect the balancing of the trial balance.

**(6 marks)**

- (b) Mabex Ltd prepared the following trial balance at 31 December 2014:

	Shs '000'	Shs '000'
Land	250,000	
Furniture	98,000	
Motor vehicle	65,000	
Inventory (January 1, 2014)	150,000	
Purchases	458,000	
Sales		670,000
Accounts receivable & payable	120,000	96,000
10% Debentures		100,000
Ordinary share capital		300,000
Share premium		188,000
Bank balance	200,000	
Drawings	40,000	
Discounts allowed and received	20,000	35,000
Rent	14,000	
Electricity	10,000	
Accumulated depreciation: Motor vehicle		20,000
Furniture		16,000
	<u>1,425,000</u>	<u>1,425,000</u>

Additional information:

- Closing inventory at 31 December 2014 was valued at Shs 170 million.
- All depreciable assets to be charged at a rate of 10% on cost.
- Total sales had been undercast by Shs 100 million.
- Goods worth Shs 50 million were returned by Sibbo Traders but had not been recorded.
- Furniture purchased from Mivule Furniture Ltd. amounting to Shs 100 million had been posted to purchases account.
- Discounts received amounting to Shs 15 million had not been entered in the cash book.
- Discounts allowed of Shs 18 million had not been posted in the books of account.

**Required:**

Prepare for Mabex Ltd for the year ended 31 December 2014 a statement of:

- (i) profit or loss and other comprehensive income.
- (ii) financial position.

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

- (a) Briefly explain what is meant by the term 'imprest system'.

**(2 marks)**

- (b) State any **four** advantages of using a cash book in the day-to-day business operations.

**(4 marks)**

- (c) Mwazamuno started business on 1 December 2014 with cash and bank balance of Shs 80 million and Shs 100 million respectively. The following transactions took place during the month of January 2014:

- 2 Paid rent through the bank Shs 10 million.
- 2 Purchased furniture Shs 3.5 million cash.
- 3 Purchased goods Shs 18 million cash.
- 4 Paid for stationery for office use Shs 3.4 million cash and was given a 2.5% discount.
- 5 Made cash sales Shs 6 million
- 8 Made cheque payment to a supplier Shs 7 million receiving a 2% discount.
- 9 Received cheque from Ms. Mangada Shs 5 million allowing her discount Shs 400,000.
- 11 Withdrew cash Shs 8 million from bank for office use.
- 13 Made cash payment for wages Shs 2.3 million.
- 15 Made cheque payment Shs 2 million for trading license.
- 18 The following debtors cleared their balances by cheque qualifying for a 3% discount:

Shs '000'

Mbanja	3,000
Nalongo	4,000

- 28 Made salary payment through the bank Shs 23 million.
- 29 Made payment Shs 6 million by cheque for parking space.
- 30 Made a cash deposit Shs 10 million to the bank.
- 30 Mr. Mabengele, a debtor, cleared his balance Shs 30 million by cheque.

**Required:**

Prepare a three column cash book (cash, bank & discounts) for the month of December 2014, to record all the above transactions made by Mwazamuno:

**(14 marks)**  
**(Total 20 marks)**

**SECTION C**

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

**Question 6**

- (a) Differentiate between 'bookkeeping' and 'financial accounting'.  
**(4 marks)**
- (b) Briefly state the objectives of accounting.

**(6 marks)**  
**(Total 10 marks)**

**Question 7**

- (a) (i) Define the term 'accumulated fund' as used in non-profit making organisations.  
(ii) State the accounting equation for 'accumulated fund'.  
**(2 marks)**
- (b) Giving at least one example, identify any **four** types of non-profit making organizations and their sources of income.

**(8 marks)**  
**(Total 10 marks)**