

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

CPA(U) EXAMINATIONS

LEVEL ONE

FINANCIAL ACCOUNTING - PAPER 1

MONDAY 27 NOVEMBER, 2017

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** and **B**.
3. Section **A** is bound separately from Section **B**.
4. Attempt all the 20 multiple-choice questions in Section **A**. Each question carries 1 mark.
5. Attempt **four** of the **five** questions in Section **B**. Each question carries 20 marks.
6. Write your answer to each question on a fresh page in your answer booklet.
7. Please, read further instructions on the answer booklet, before attempting any question.

SECTION B

Attempt four of the five questions in this section

Question 2

Bagagga Golf Club (BGC) has prepared the following trial balance for the year ended 31 October, 2017.

	Dr. Shs '000'	Cr. Shs '000'
Subscriptions received		221,400
Land at cost	150,000	
Canteen delivery van at cost	58,500	
Golf equipment	23,000	
Club furniture	45,600	
Canteen fridge at cost	4,500	
Canteen furniture at cost	8,500	
Accumulated depreciation:		
Canteen delivery van		11,700
Club furniture		9,120
Canteen fridge		900
Canteen furniture		1,700
Coach's salary	24,000	
Gardener's wages	12,000	
Rent & Utilities	47,770	
Donations	12,450	54,500
Fundraising dinner event		43,500
Canteen sales		34,560
Canteen inventory 1 November, 2016	5,600	
Canteen purchases	24,000	
Accumulated fund 1 November, 2016		50,300
Canteen receivables	45,410	
Canteen payables		42,050
Canteen bank balance	3,400	
Club bank balance	5,000	-
	<u>469,730</u>	<u>469,730</u>

Additional information:

1. 20% of the subscriptions received relate to life subscription which is recognisable over a period of 20 years.
2. 30% of the ordinary subscriptions relate to the forthcoming financial year.
3. Golf equipment is written off as a period cost at the end of each year.

4. The club depreciates non-current assets as follows:

	Rate (% per annum)	Method
Canteen van	20	Straight line
Club furniture	10	Reducing balance
Canteen furniture	10	Reducing balance
Canteen fridge	20	Straight line

5. Closing inventory of the canteen was Shs 6,700,000.
 6. The club apportions rent and utilities between the club and the canteen in the ratio of 3:1 respectively.
 7. Rent and utilities outstanding at the end of the year were Shs 12,850,000.

Required:

Prepare for BGC, for the year ended 31 October 2017, a statement of:

- (i) profit or loss for the canteen. **(5 marks)**
 (ii) income and expenditure. **(7 marks)**
 (iii) financial position. **(8 marks)**
(Total 20 marks)

Question 3

- (a) Explain **five** challenges affecting agricultural entrepreneurship in Uganda. **(5 marks)**
 (b) The following information relates to the transactions of Tom and Jerry Toy Shop for the month of January, 2017.

1. Ledger balances 1 January:

	Shs
Hajji & Sons Ltd (credit customer)	4,000,000
XY Toy Wholesalers Ltd (credit supplier)	2,800,000
Cash at hand	650,000
Bank balance (credit)	7,600
Prepaid license (expiry 31 January, 2017)	100,000
Capital	1,942,400

2. 1 January, secured SACCO loan Shs 8,000,000 at an interest rate of 15% per annum. Interest is assumed to accrue evenly during the year.
 3. 4 January, purchased goods from BCD Wholesalers Shs 4,000,000, paying by cheque.
 4. 10 January, sold toys to ABC Kindergarten Shs 3,000,000 cash inclusive of 2% trade discount.
 5. 15 January, sold toys to Hajji & Sons Ltd Shs 1,000,000 on credit.
 6. 20 January, purchased toys from XY Toy Wholesalers Ltd Shs 2,000,000 on credit.

7. 25 January, sent debit note Shs 500,000 to XY Toy Wholesalers Ltd for toys returned.

Required:

Prepare a cashbook and ledger accounts, and extract a trial balance for the month of January, 2017.

(15 marks)

(Total 20 marks)

Question 4

The following information was extracted from the equipment register of Design Construction Ltd (DCL) as at 1 January, 2016;

Item	Date of purchase	Cost (Shs '000')
Equipment 1	1 January, 2013	100,000
Equipment 2	30 June, 2013	80,000
Equipment 3	31 December, 2013	90,000

Additional information:

- Acquired equipment 4 on 1 January, 2016 Shs 240 million.
- Acquired equipment 5 on 31 March, 2016 Shs 252 million.
- Imported equipment 6 on 30 April, 2016. The cost, insurance and freight value was Shs 120 million. The cost of installation was Shs 4 million. The company paid Shs 8 million and Shs 5 million in non-refundable and refundable taxes respectively. Maintenance of this equipment was being done at a cost of Shs 600,000 per quarter.
- On 1 July, 2016 equipment 3 was traded-in at book value for equipment 7. The company paid an additional Shs 31.2 million to acquire equipment 7.
- Equipment 2 was stolen on 30 September, 2016. The company had not taken any insurance cover for this equipment by the time the theft occurred.
- DCL's financial year ends 31 December each year. It depreciates all equipment at 20% per annum using the straight line method. Depreciation is assumed to accrue evenly throughout the year and is time apportioned. All transactions were made through the bank.

Required:

Prepare the following accounts for DCL, for the year ended to 31 December, 2016:

- Equipment. **(5 marks)**
- Accumulated depreciation of equipment. **(12 marks)**
- Equipment disposal. **(3 marks)**

Hint: Show all the necessary workings

(Total 20 marks)

Question 5

Opio and Opiso were in partnership, sharing profits or losses equally. Their statement of financial position as at 31 December, 2016 was as follows:

Non-current assets:	Shs	Shs
Buildings		50,000,000
Machinery & tools		30,500,000
Delivery van		25,000,000
Investments		<u>5,550,000</u>
		111,050,000
Current assets:		
Inventory	3,150,000	
Accounts receivable	2,250,500	
Bank	<u>35,450,550</u>	<u>40,851,050</u>
Total assets		<u>151,901,050</u>
Capital & liabilities:		
Capital accounts:		
Opio	28,000,000	
Opiso	<u>25,500,000</u>	53,500,000
Un-appropriated profits		26,476,050
Current accounts:		
Opio	(500,000)	
Opiso	<u>4,250,000</u>	<u>3,750,000</u>
		83,726,050
Liabilities:		
Non-current liabilities:		
10% bank loan	25,000,000	
5% SACCO loan	<u>30,000,000</u>	55,000,000
Current liabilities:		
Accounts payable		<u>13,175,000</u>
Total capital & liabilities		<u>151,901,050</u>

Additional information:

- Opiso retired and Opito was admitted on 31 December, 2016. To determine the amount due to Opiso, assets were revalued as follows:

Asset	Shs
Buildings	55,500,000
Machinery & tools	28,000,000
Delivery van	23,750,000
Investments	6,000,000
Inventory	4,050,000

- The value of goodwill was agreed at Shs 6,000,000.

3. It was arranged that Opiso takes over the investments at Shs 6,000,000 as part payment of the amount due to him and the balance be settled in cash.
4. Opiso was to take his portion of un-appropriated profits and the balance to be maintained in the books.
5. Opiso was to increase his capital by contributing Shs 2,000,000.
6. Opiso was to contribute Shs 30,000,000 as his capital and the profit or loss was to be shared on the basis of the capital contribution of each partner.
7. The partnership uses the memorandum revaluation method to record goodwill in the books.

Required:

Prepare the following for the partnership as at 31 December, 2016:

- | | |
|---|------------------|
| (i) Capital accounts (columnar format). | (7 marks) |
| (ii) Current accounts (columnar format). | (3 marks) |
| (iii) Revaluation account. | (6 marks) |
| (iv) Opening statement of financial position for Opiso and Opito. | (4 marks) |

Hint: Show all your workings.

(Total 20 marks)

Question 6

The following trial balance was extracted from the books of Ntoroko Beverages Distributors for the year ended 30 June 2017;

	Shs '000'	Shs '000'
Capital		5,583,010
Sales		15,592,200
Returns	273,720	504,420
Purchases	9,497,600	
Discounts	138,360	105,000
Inventory	939,240	
Provision for doubtful debts		30,720
Carriage outwards	273,770	
Carriage inwards	709,800	
Drawings	1,106,400	
Rent & insurance	2,058,380	
Electricity	660,600	
Communication & promotion	503,400	
Salaries & wages	2,311,260	
Bad debts	120,480	
Cash & cash equivalents	1,598,440	
Furniture & fittings	300,000	

	Shs '000'	Shs '000'
Computers & equipment	244,400	
Delivery trucks – 1 January 2017	1,000,000	
Accumulated depreciation:		
Furniture & fittings		147,000
Computers & equipment		53,100
Trade payables & receivables	<u>1,470,000</u>	<u>1,190,400</u>
	<u>23,205,850</u>	<u>23,205,850</u>

Additional information at 30 June 2017;

1. Inventory stood at Shs 1,065,000,000.
2. Insurance of Shs 81,600,000 was due.
3. Prepayments were; electricity Shs 7,200,000 and rent Shs 60,000,000.
4. Bad debts of Shs 20,000,000 are to be written off. Also provide for doubtful debts at the rate of 4% per annum.
5. Goods drawn of Shs 12,000,000 had been omitted from the books.
6. Depreciation is provided for at the following rates on cost, per annum;

Delivery trucks	20%
Furniture & fittings	10%
Computers & equipment	25%

Required:

Prepare for Ntoroko Beverages Distributors, for the year ended 30 June 2017, a statement of:

- | | |
|-------------------------|-------------------------|
| (a) profit or loss. | (12 marks) |
| (b) financial position. | (8 marks) |
| | (Total 20 marks) |