

FINAL EXAMINATION SEP - DEC 2019

EXAMINATION FOR DIPLOMA COURSES

UNIT CODE: DMBM 1101

UNIT TITLE: FINANCIAL ACCOUNTING

INSTRUCTIONS:

- Answer Question **ONE (compulsory)** and any other **TWO** questions
- Show all your workings

QUESTION ONE

- a) Describe **THREE** reasons for incomplete records. (6 Marks)
- b) Describe **THREE** methods for preparing accounts from incomplete records. (6 Marks)
- c) Mr. Maliyamungu started business on January 01, 2017 with cash of Shs. 50,000, furniture of Shs. 10,000, goods of 20,000 and machinery worth Shs. 20,000. During the year she further introduced Shs. 20,000 in her business by opening a bank account.

Accounts from incomplete records;

	Shs.
Receipt from debtors	57,500
Cash sales	45,000
Cash purchases	25,000
Wages paid	5,000
Salaries to staff	17,500
Trade expenses	6,500
Electricity bill of factory	7,500
Drawings of Maliyamungu	36,000
Cash paid to creditors	42,000
Discount allowed	1,200
Discount received	3,000
Bad debts written-off	1,300
Cash balance at end of year	20,000

Mr. Maliyamungu used goods worth Shs. 2,500 for private purpose which is not recorded in the books. At the start of the year, he gave up use of his pick-up to be used entirely in the business. The pick-up has a net book value of Shs. 75,000. Charge depreciation on furniture 10% , pick-up 25% and machinery 20% p.a. On December 31, 2017, her debtors were worth Shs. 70,000 and creditors Shs. 35,000, stocks in trade was valued on that date at Shs. 25,000. Goodwill is estimated to be Shs. 50,000 and is to be amortized at 25%.

From the following information extracted from her books, you are required to prepare the following for year ended December 31, 2017.

- i. Statement of profit or loss. (10 Marks)
- ii. Statement of financial position. (8 Marks)

QUESTION TWO

- a) Explain the meaning of Cost of Goods Manufactured. (4 Marks)
- b) You have been provided the following information:

Retail Business		Manufacturing Business	
Cash	10,000	Cash	20,000
Accounts receivable	50,000	Accounts receivable	60,000
Merchandise inventory (Start)	12,000	Cost of goods manufactured	150,000
Freight-in	1,000	Finished goods (beginning)	25,000
Merchandise purchases	200,000	Finished goods (ending)	15,000
Merchandise inventory (End)	20,000	Selling expenses	60,000
Selling expenses	50,000		

Compute the value for Cost of Goods Sold for both types of businesses. (6 Marks)

- c) Viwandani Limited, a manufacturing concern has provided you with the following information.

Sales	300,000
Sales returns	50,000
Finished goods inventory (beginning)	30,000
Finished goods inventory (ending)	25,000
Materials used	70,000
Factory labor	45,000
Manufacturing overhead	30,000
Work in progress (beginning)	11,000
Work in progress (ending)	5,000
Cash	40,000
Selling expenses	35,000
General and administrative expenses	25,000
Accounts receivable	15,000

Prepare a statement of profit or loss for the business. (6 Marks)

- d) Distinguish between cost of goods sold AND cost of goods manufactured. (4 Marks)

QUESTION THREE

a) Hustlers Limited as presented the following trial balance as at 30th June 2017.

	Dr	Cr.
	Shs.	Shs.
	'000'	'000'
Share capital		5,000
Share premium		1,500
Trade and other payables		1,872
Land building – cost	8,500	
Acc. depreciation 01.07.2016		424
Plant and equipment-cost	5,800	
Acc. depreciation 01.07.2016		2,900
Trade and other receivables	4,235	
Prepayments	15	
5% Bank loan repayable		4,000
Cash and cash equivalents	385	
Retained earnings at 01.07.2016		3,875
Interest paid	200	
Sales revenue		25,840
Purchases	12,965	
Distribution costs	5,468	
Administrative Expenses	2,933	
Stock on 01.07.2016	4,285	
Dividends paid	625	

Additional information;

- Stock 30thJun 2017 Shs. 5,162,000
- Land which is not depreciated is included in the trial balance at Shs. 3,000,000. It is to be revalued to Shs. 3,500,000 and this revaluation included in the financial statements as at 30th June 2017.
- Depreciation: building 2% p.a on straight-line. Plant & equipment 20% p.a on reducing balance.
- Depreciation should be apportioned as follows
 - Cost of sales 40%
 - Distribution costs 40%
 - Administrative expenses 20%
- Trade receivables include a debt of Shs. 10,000 which is to be written off. Irrecoverable debts are classified as administrative expenses.
- Distribution costs of Shs. 18,000 owing as at 30th June 2017 are to be provided for.
- Corporation tax charge for the year has been calculated as Shs. 1,475,000
- All of the operations are continuing

Required

- Draft Statement of profit or loss and other comprehensive income for Hustlers Limited for the year ended 30thJune 2017. (8 Marks)

- ii. Draft Statement of changes in equity for Hustlers Limited for the year ended 30th June 2017. (6 Marks)
- iii. Draft Statement of financial position for Hustlers Limited as at 30th Jun 2017 (6 Marks)

QUESTION FOUR

Wazito Ventures Limited has presented the following financial results as at 31st Dec 2017

Wazito Ventures Limited Income Statement for period ended 31st Dec 2017

Sales – cash	300,000	
Sales - Credit	600,000	
	<u>900,000</u>	
Less- Cost of Sales	(720,000)	
Gross Profit	<u>180,000</u>	
Less - Expenses	(53,000)	
Net profit after tax	127,000	
Tax @30%	(38,100)	
Net profit after tax	88,900	
Preference dividends	(4,800)	
Ordinary dividends	(10,000)	(14,800)
Retained profit for the year	<u>74,100</u>	

Wazito Ventures Limited Statement of financial position as at 31st Dec 2017

Non-Current assets		213,900
Current Assets		
Stock	150,000	
Debtors	35,900	
Cash	<u>70,000</u>	255,900
Current Liabilities		
Trade creditors	58,000	
Tax payable	63,500	
Proposed dividends	<u>14,800</u>	(136,800)
Net Assets		<u>281,500</u>
Financed By		
Ordinary Share Capital		100,000
8% Preference share capital		60,000
Revenue reserve		81,500
10% Bank loan		<u>40,000</u>
		<u>281,500</u>

Additional information:

- The opening stock was valued at Shs. 210,000 while the closing stock was Shs. 150,000
- Purchases for the year was Shs. 660,000
- Debtors as at 31.12.2016 amounts to Shs. 50,000

Required

- a) Compute the following accounting ratios and comment on their significance to the business (16 Marks)
- Acid test ratio
 - Operating ratio
 - Return on total capital employed
 - Average collection period
 - Interest coverage ratio
 - Total assets turnover
- b) Explain the benefits that Wazito Ventures Limited can obtain by using ratio analysis.(4 Marks)

QUESTION FIVE

- a) The treasurer of CUK Students Club has provided the following information relating to the financial year ended 31st December 2017

Assets & Liabilities

	1 st January 2017 Shs.	31 st December 2017 Shs.
Equipment	1,250,000	1,400,000
Subscriptions in arrears	100,000	120,000
Subscriptions received in advance	65,000	45,000
Creditors for bar stocks	175,000	215,000
Bar stocks	400,000	300,000
Rent owing	75,000	50,000
Electricity bills unpaid	56,500	70,000
Balance at bank	361,500	1,104,000

Cash receipts for the year ended 31st Dec 2017

	Shs.
Subscriptions	1,050,000
Bar takings	2,050,000
Sale of tickets for annual dinner dance	1,200,000
Sale of raffle tickets	90,000

Cash payments made for the year ended 31st Dec 2017

	Shs.
Miscellaneous expenses	50,000

Bar stocks	1,025,000
Barman's wages	375,000
Catering for dinner dance	720,000
Hiring of band for dinner dance	180,000
Rent	30,000
Printing and postage	120,000
Electricity	385,000
Secretary's expenses	100,000
Repairs to equipment	290,000
Sale of tickets for annual dinner dance	61,000
Sale of raffle tickets	150,000

Require

- i. Bar trading, profit and loss account for year ended 31st Dec 2017. (5 Marks)
- ii. Income and expenditure account for the year ended 31st Dec 2017. (8 Marks)
- iii. Statement of financial position as at 31st Dec 2017. (7 Marks)