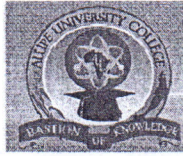


BBM 112/ ECO 101/ EDB 100



**ALUPE UNIVERSITY**  
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ACADEMICS, RESEARCH AND STUDENTS' AFFAIRS

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## UNIVERSITY EXAMINATIONS

### 2018 /2019 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER REGULAR EXAMINATION  
**FOR THE DEGREE OF BACHELOR O BUSINESS**  
**MANAGEMENT/BA.ECONOMICS/EDUCATION**  
**BUSINESS**

**COURSE CODE:** BBM 112/ ECO 101/ EDB 100

**COURSE TITLE:** PRINCIPLES OF ACCOUNTING

**DATE:** 14/12/2018

**TIME:** 9.00 AM.-12.00PM



### INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 5 PRINTED PAGES

PLEASE TURN OVER

**BBM 112/ECO 101/ EDB100: PRINCIPLES OF ACCOUNTING** duration: 3 hours**INSTRUCTIONS TO CANDIDATES**

- Answer Question ONE and any other **TWO** questions
- Question ONE carries 30 marks
- Do not write on the question paper

**Question One**

- a) Briefly explain the qualitative characteristics of accounting information (5 marks)
- b) Identify six users of accounting information and explain the importance of the information to cash user. (8 marks)

c). Nambengele limited manufacturer's farm implements. The following list of balances was extracted from the books of account of the company as at 31<sup>st</sup> December 2012

	shs
Inventory as at 1 <sup>st</sup> January 2012	
Raw materials	1,270,000
Work in progress	1,555,000
Finished goods	1,163,000
Purchase of raw materials	4,576,750
Carriage of raw materials	98,000
Direct labour	4,210,400
Office salaries	1,670,950
Rent	260,000
Electricity (office)	221,000
Depreciation expense: Machinery	510,000
Equipment (office)	115,000
Sales	15,931,100
Electricity (factory)	406,000

**Additional information**

- i. Inventory as at 31<sup>st</sup> December, 2012 was given as follows:-
  - a. Raw materials 1,445,000
  - b. Work in Progress 1,230,000
  - c. Finished goods 1,442,000
- ii. Rent is to be apportioned between the factory and office in the ratio of 3:1
- iii. Finished goods are transferred from factory to sales at marks up to 20%
- iv. The values of opening and closing inventory are given at the transfer price

**Required**

1. Manufacturing account for the year ended 31<sup>st</sup> December 2012 (10 marks)
2. Income statement for the year ended 31<sup>st</sup> December 2012 (7 marks)

**Question Two**

- (a) Explain the purposes for which control accounts are prepared. (3 marks)
- (b) The balances and transactions affecting the control accounts of Kopesha Ltd. for the month of November 2017 are listed below:-

	Sh.
Balances on 1 November 2017:	
Sales ledger	9,123,000 (debit)
	211,000 (credit)
Purchases ledger	4,490,000 (credit)
	88,000 (debit)
Transactions during November 2017:	
Purchases on credit	18,135,000
Allowances from suppliers	629,000
Receipts from customers by cheques	27,370,000
Sale on credit	36,755,000
Discount received	1,105,000
Payments to creditors by cheques	15,413,000
Contra settlements	3,046,000
Bills of exchange receivable	6,506,000
Allowances to customers	1,720,000
Customers cheques dishonored	489,000
Cash received from credit customers	4,201,000
Refunds to customers for overpayments	53,000
Discounts allowed	732,000
Balances on 30 November 2017	
Sales ledger	136,000 (credit)
Purchases ledger	67,000 (debit)

**Required:**

The sales ledger and purchases ledger control accounts for the month of November 2017 and show the respective debit and credit closing balances on 30 November 2017.

(17 marks)

**Question Three**

A three-column cashbook is to be written up from the following details, balanced off, and the relevant discount accounts in the general ledger shown.

2017

- Mar 1 Balances brought forward: Cash shs230; Bank shs4,756.  
 “ 2 The following paid their accounts by cheque, in each case deducting 5 percent

- discounts: R Burton shs140; E Taylor shs220; R Harris shs800.
- “ 4 Paid rent by cheques shs120.
- “ 6 J Cotton lent us shs1,000 paying by cheque.
- “ 8 We paid the following accounts by cheque in each case deducting a 2 ½ per cent cash discount: N Black shs360; P Towers shs480; C Rowses shs300.
- “ 10 Paid motor expenses in cash shs44.
- “ 12 H Hankins pays his account of shs77, by cheques shs74, deducting shs3 cash discount.
- “ 15 Paid wages in cash shs160.
- “ 18 The following paid their accounts by cheque, in each case deducting 5 per cent cash discount: C Winston shs260; R Wilson & Son shs340; H Winter shs460.
- “ 21 Cash withdrawn from the bank shs350 for business use.
- “ 24 Cash Drawings shs120.
- “ 25 Paid T Briers his account of shs140, by cash shs133, having deducted shs7 cash discount.
- “ 29 Bought fixtures paying by cheques shs650.
- “ 31 Received commission by cheques shs88.

#### Question Four

- (a) Define the following accounting concepts and for each explain their implication in the preparation of financial statements.

- |                               |         |
|-------------------------------|---------|
| (i) The Going concern concept | 4 marks |
| (ii) Business entity concept  | 4 marks |
| (iii) Materiality             | 4 marks |
| (iv) Realization              | 4 marks |

#### Question Five

Joseph runs a wholesale business selling children's clothing. Her trial balance for the year ended 30<sup>th</sup> September, 2014 was as follows:

	Shs	shs
Land and buildings	28,000	
Motor Vehicles	21,000	
Inventory (1 <sup>st</sup> October, 2013)	10,500	
Sales		184,450
Purchases;	98,000	
Returns inward and returns outward	7,000	3,500
Discounts allowed and discounts received	5,250	9,800
Rent	700	
Furniture and fixtures	14,000	
Trade receivables ad trade payables	17,500	14,000
Telephones expenses	1,050	

Allowance for doubtful debts		1,050
Bad debts written off	7,000	
Electricity	1,050	
Carriage inwards	700	
General expenses	10,500	
Salaries and wages	14,000	
Drawings	7,000	
Capital		32,500
Carriage outwards	1,050	
Bank balance	1,000	
	<u>245,300</u>	<u>245,300</u>

**Additional information**

1. Inventory as at 30<sup>th</sup> September 2014 was valued at shs 7,000,000
2. Allowance for doubtful debts is to be increased by 10%
3. Rent accrued as at 30 September 2014 amounts to shs 525,000
4. Electricity and telephone bills prepaid as at 30<sup>th</sup> September 2014 amount to shs 175,000 and shs 525,000 respectively
5. General expenses accrued as at 30<sup>th</sup> September 2014 amount to shs 700,000
6. Depreciation is provided on motor vehicles and furniture and fixtures at 15% per annum on cost

**Required**

- i. Income statement for the year ended 30<sup>th</sup> September 2014 (10 marks)
- ii. Statement of financial position as at 30<sup>th</sup> September 2014 (10 marks)

