

810/1
**PRINCIPLES OF
ACCOUNTS**
Paper 1
Jul/Aug 2019
2 ½ hours



MUKONO EXAMINATION COUNCIL

Uganda Certificate of Education

PRINCIPLES OF ACCOUNTS

Paper 1

2 hours 30 minutes

INSTRUCTIONS TO CANDIDATES:

*This paper consists of **two** sections; **A** and **B**.*

*Answer all questions in Section **A** and any four questions from Section **B**.*

Answers to all questions must be written in the answer booklet provided.

*All questions in Section **B** carry equal marks.*

You may loss marks for untidy work.

SECTION A (20 MARKS)

Write the letter corresponding to the correct answer in the answer booklet.

1. The following are items of Trading Account except
 - A. stock at 1st January
 - B. carriage inwards
 - C. Discount allowed
 - D. stock at 31stDecember.
2. When the business owner is the sole supplier of resources in the business, the accounting equation will appear as
 - A. $A = C - L$
 - B. $C = A + L$
 - C. $L = A + C$
 - D. $A = C$
3. Errors that affect the trial balance are corrected through.....
 - A. suspense account
 - B. journal proper
 - C. journal proper and suspense account
 - D. mere arithmetical computation.
4. The following items reduce profits in the profit and loss account except.....
 - A. bad debt written off
 - B. discount allowed
 - C. increase in provision for bad debts
 - D. discount received
5. Retained profits set aside for specified future purpose is referred to as
 - A. provisions
 - B. reserves
 - C. unallocated gains
 - D. budgeted expenses
6. An expense paid in advance is reflected in the balance sheet as
 - A. a current asset
 - B. a liability
 - C. fictitious asset
 - D. fixed asset.
7. The following are true in relation to the partnership Act 1890 in the absence of a deed except.....
 - A. profit shall be shared equally.
 - B. the interest shall be charged on drawings.
 - C. the interest shall be charged on capital.
 - D. no interest shall be given on loan supplied to the partnership by a partner.
8. A receipt for credit purchase by a business is referred by the business as
 - A. invoice
 - B. incoming invoice
 - C. outgoing invoice
 - D. general receipt

9. Which of the following best describes the meaning of purchases?

- A. goods bought for resale for profit
- B. goods bought and returned to supplier.
- C. goods sold for profit
- D. sale of fixed asset.

10. Determine the value of working capital from the following information;

	Shs		
Stock at close	2,000,000/=		
Prepaid income rent	1,500,000/=		
Cash at bank	3,500,000/=		
Creditors	1,500,000/=		
A. 5,200,000	B. 2,500,000	C. 6,000,000	D. 3,500,000

11. Unpresented cheques are those issued and

- A. not yet received by the payee named.
- B. not credited in the cash book.
- C. passed across the counter.
- D. not passed across the counter.

12. On creation of provision for bad debts we

- A. debit profit and loss account and credit provision for bad debts account.
- B. debit trading account and credit provision for discount allowed account.
- C. credit profit and loss account and debit provision for bad debts account.
- D. credit trading account and debit provision for bad debts account.

13. When cash is taken for personal use from the business by the owner the accounting entries are;

- A. debit cash account, credit drawings.
- B. Debit drawings account, credit cash account.
- C. debit drawings account, credit purchases account.
- D. credit drawings account, debit stock account.

14. A motor van was bought on 1st January 2010 at shs 10,000,000. Its working life is estimated at 20 years. Scrap value zero. The rate of depreciation is therefore per year.

- A. shs10,000
- B. shs 100,000
- C. shs 50,000
- D. shs 500,000

The following transactions took place;

Jan 3. Purchased stock of goods cash down shs 500,000

Jan 5. Sold part of the stock receiving cash shs 450,000

Jan 7. Paid for advertising cash shs 50,000

Jan 8. Purchased more stock of goods shs 300,000 by cheque.

Jan 10. Drew cheque for office use shs 1,000,000.

Jan 15. Bought stationery in cash shs 100,000.

Jan 20. Banked cash shs 250,000

Jan 25. Sold old stock received a cheque shs 400,000

Jan 28. Drew cheque for own use shs 150,000.

Jan 29. Paid salaries and wages by cheque shs 1,500,000

Jan 30. Paid for rent in cash shs 300,000.

Jan 31. Sold more goods in cash shs 250,000.

Required:

(i) Prepare a two column cashbook dully balanced.

(15marks)

22. a) (i) What do you understand by 'depreciation'?

(ii) Identify two methods used to determine depreciation rate and which method is more appropriate for motor van.

b) A machine costing shs 10,000,000 had to depreciate at the rate of 20% per annum.

Required;

(i) the value of the machine;

- after 1st year in use.

- after 2nd year in use.

- after 3rd year in use.

23. a) Identify three types of accounts commonly prepared by a non-profit organization.

(03 marks)

b) Given the following information from St. James social club for the year ended 31st December, 2016.

(i) Membership fees received during the year shs 9,900.

(ii) Salaries paid to the employees of the club shs 6,200.

(iii) Travelling expenses during the year shs 7,800.

(iv) Total subscription received during the year shs 18,000.

(v) the club spent shs 1,100 on stationery.

(vi) A donation of shs 2,100 was received from an NGO.

(vii) The club organized a drama and made a gate collections shs 6,500 spent shs 2,200 on refreshments.

(viii) The club sold some of old fittings and fixtures at shs 20,000.

Required;

(i) Prepare a Receipts and payments account.

(ii) Income and expenditure account.

24. a) Identify five causes of disagreement between the bank record and that of the customer.

(05 marks)

Dr			Cashbook			Cr		
Date	Details	Amount	Date	Details	Amount			
2015		shs	2015		Shs			
Dec 1 st	Balance b/f	174,000	Dec 8 th	Brown	34,900			
Dec 7 th	Chris	8,800	Dec 13 th	Abey	3,300			
Dec 22 nd	Robert	7,300	Dec 28 th	Francisco	11,500			
Dec 31 st	Jonney	24,900	Dec 31 st	Balance c/f	183,100			
Dec 31 st	Daudi	17,800						
		<u>232,800</u>			<u>232,800</u>			
2016								
Jan 1 st	Balance b/f	183,100						

The Bank statement to Mulema on 31st December 2015 appeared as below;

Date	Particulars	Debit	Credit	Balance
2015		Shs	Shs	Shs
Dec 1	Balance b/f			174,000
Dec 7 th	Cheque		8,800	182,800
Dec 11 th	Brown	34,900		147,900
Dec 22 nd	Abbey	3,300		144,600
Dec 22 nd	Cheque		7,300	151,900
Dec 31 st	Credit transfer		5,400	157,300
Dec 31	Bank charges	2,200		155,100

Required;

(i) Adjusted cashbook

(10 marks)

(ii) Bank reconciliation statement

(05 marks)

25. The following balances were extracted from the records of Jacinta's books of accounts as at 31st December, 2014.

Items	Shs
Sales	40,000,000
Purchases	35,000,000
Sales returns	500,000
Stock 1/1/2014	10,000,000
Provision for doubtful debts (1/1/2014)	80,000
Salaries and wages	3,000,000
Rates	600,000
Telephone	100,000
Shop fittings (at cost)	4,000,000
Motor van (at cost)	3,000,000
Debtors	980,000
Creditors	700,000
Bad debts	20,000
Capital	17,900,000
Cash at bank	300,000
Drawings	1,800,000
Purchases returns	620,000

Additional information;

(i) Salaries / wages outstanding shs 500,000

(ii) Stock as at 31st December 2014 shs 12,000,000

(iii) Prepaid rates shs 50,000

(iv) Provision for doubtful debts to be increased by 10% of debtors.

(v) Telephone bill outstanding shs 22,000

(vi) Depreciation:

- Shop fittings at 10% p.a
- Motor van at 20% p.a

Required:

- a) Income statement
- b) Financial position statement as at 31st/ 12/2014

26. a) Identify four types of errors which the trial balance may not disclose.

- b) An inexperienced accountant could not balance his books and prepared a balance sheet by putting the difference in the suspense account, shs 51,000.

On investigation the following errors were discovered;

- (i) The sales account was overcast by 45,000.
- (ii) Rent account under cast by shs 16,000
- (iii) shs 30,000 received from a Debtor on account was correctly recorded in the cashbook but was not posted in the sales ledger.
- (iv) A payment of shs 20,000 by cheque to a trade creditor was debited to his account in the purchases ledger but was not recorded in the cash book.
- (v) The proprietor's drawings of shs 40,000 on 31/12/2016 were recorded in the cash book but has not been posted to his drawings account.

Required;

- (i) Journal entries rectify the above errors (narration not required).
- (ii) Show the suspense account duly closed.

End -