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**PRINCIPLES OF ACCOUNTS**  
**PAPER 1**  
DEC 2020  
2½HRS

EXTERNAL EXAM 2020  
Uganda Certificate of Education

**PRINCIPLES OF ACCOUNTS**

**PAPER 1**

2 HOURS 30 MINUTES

**INSTRUCTIONS TO CANDIDATES**

- Answer **all** the questions in section **A** and any **four** questions in section **B**

**SECTION A (20 MARKS) attempt all questions**

1. Avua had an imprest float of Shs 1,000,000. If Shs 600,000 was spent in the period, how much would be reimbursed at the end of the period?

- A. Shs 400,000.
- B. Shs 600,000.
- C. Shs 800,000.
- D. Shs 1,000,000.

**(01 mark)**

2. Kirabo, Kityo, Kingonya and Kimera are in partnership but do not have a partnership agreement. They must therefore share profits and losses:

- A. In the same proportions as capital.
- B. Equally.
- C. Equally after adjusting for interest on capital.
- D. Equally after deducting drawings.

**(01 mark)**

3. Which one of the following is an error of commission?

- a) Motor expenses debited to motor vehicle A/C
- b) Purchases of machinery debited to purchases A/C
- c) Credit sales to Bagooza completely omitted from the books
- d) Credit sales to Kalungi debited to Mulungi's A/C

**(01 mark)**

4. The initials N.B.V. stand for:

- a) Net book value i.e. Fixed asset cost + annual depreciation.
- b) Net book value i.e. Fixed asset cost — aggregate depreciation.
- c) Net book value i.e. Fixed asset cost + aggregate depreciation.
- d) Net book value i.e. Fixed asset cost — depreciation charge.

**(01 mark)**

5. X, Y and Z are partners sharing profits and losses in the ratio of 5:3:2. Their profit for the year ended 30 November 2003 was Shs 9,830,000. How much did each partner get?

<b>X</b>	<b>Y</b>	<b>Z</b>
<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
A. 4,915,000	2,949,000	1,966,000
B. 5,461,111	2,621,333	1,747,556
C. 4,519,000	3,186,600	2,124,400
D. 491,500	294,900	196,600

**(01 mark)**

6. Discounts received are:

- A. Deducted when the firm receives cash.
- B. Given by the firm when it sells goods on credit.
- C. Deducted by the firm when it pays its suppliers promptly.

D. Included in the income statement as an expense **(01 mark)**

7. Which of the following statements is **NOT** true about the double entry system?

A. Always debit the account that receives goods or services.

B. Credit what comes in and debit what goes out.

C. Always credit the account that gives goods or services.

D. Debit what comes in and credit what goes out. **(01 mark)**

8. Which of the following entries is correct where an expense is outstanding at the year-end?

A. Dr. Prepayments account      Cr. Expense account.

B. Dr. Accruals account      Cr. Expense account.

C. Dr. Expense account      Cr. Accruals account.

D. Dr. Expense account      Cr. Prepayments account. **(01 mark)**

9. Which of the following items is **NOT** a revenue expenditure?

A. Legal charges for debt collection.

B. Carriage on purchases and sales.

C. Interest on a loan to purchase an air conditioner.

D. Delivery charges on new assets. **(01 mark)**

10. In which ledger are individual accounts of customers found?

A. General ledger.

B. Sales ledger.

C. Creditors ledger.

D. Purchases ledger. **(01 mark)**

11. A machine costs Shs 25 million and will be kept and used for 5 years and then sold at an estimated amount of Shs 5 million. Using the reducing balance method at the rate of 40%, what will be the depreciation charge in the 3rd year?

A. Shs 4,000,000.

B. Shs 2,880,000.

C. Shs 5,000,000.

D. Shs 3,600,000. **(01 mark)**

12. Last year a provision for bad debts of 2% was made on debtors totaling Shs 100 million. This year the debtors have increased to Shs 120 million and a similar provision of 2% is to be made. How much provision for bad debts will be charged to the income statement this year?

A. Shs 400,000.

B. Shs 2,400,000.

C. Shs 2,000,000.

D. Shs 4,600,000. **(01 mark)**

13. Caroline is an estate owner. During the year ended 31 December 2002, her gross income was Shs. 3,000,000. What is Caroline's rental tax.

- A. Shs. 600,000
- B. Shs. 480,000
- C. Shs. 168,000
- D. Nil.

**(01 mark)**

14. The Kibira Forest Conservation Association had the following balances in its subscriptions account:

	Arrears	Advance
	Shs.	Shs.
Balance at 1.1.2000	11,700,000	18,000,000
Balance at 31.12.2000	14,940,000	6,660,000

The association collected a total of Shs. 123,660,000 in subscriptions from its members during the year. What is the amount of subscription income for the year ended 31 December 2000?

- A. Shs. 123,660,000.
- B. Shs. 109,080,000.
- C. Shs. 115,560,000.
- D. Shs. 138,240,000.

**(01 mark)**

15. Which of the following documents provides proof of payment for a business transaction?

- A. Debit note.
- B. Receipt.
- C. Credit note.
- D. Invoice.

**(01 mark)**

16. Which of the following is the main difference between sole proprietorship and a partnership?

- A. A sole proprietorship prepares an income statement.
- B. The partnership prepares a balance sheet.
- C. A proprietorship may make profits or losses during the given period.
- D. A partnership's profits or losses are shared between the partners. **(01 mark)**

17. Which of the following is true about bank reconciliation?

- A. When you start with the bank statement balance you add unrepresented cheques and deduct uncredited cheques.
- B. When you start with the cash book balance you add uncredited cheques and deduct unrepresented cheques.
- C. When you start with the cash book balance, you add unrepresented cheques and add uncredited cheques.

- D. When you start with an overdraft cash book balance you add unrepresented cheques and deduct uncredited cheques. **(01 mark)**

18. Which of the following statements is **FALSE**?

- A. An increase in an asset is debited and a decrease in an asset is credited.
- B. An increase in a liability is credited while a decrease in a liability is debited.
- C. An increase in capital is debited while a decrease in capital is credited.
- D. An increase in capital is credited while a decrease in capital is debited.

**(01 mark)**

19. Musumbukano had the following ledger balances extracted from his books for the month of November 2007:

	<b>Shs '000</b>
November 1: balance b/d	335,400
Total for November:	
Discount allowed	15,000
Cash and cheques received	448,500
Sales day book	575,000
Bad debt written off	5,750
Returns inwards	10,500

What was Musumbukano's closing balance as at 30 November 2007?

- A. Shs 335,400,000.
- B. Shs 430,650,000.
- C. Shs 215,000,000.
- D. Shs 425,000,000.

**(01 mark)**

20. Which of the following statements is correct about the term tax base?

- A. It is the rate applicable to a particular income earned.
- B. It is the final resting place of a direct tax.
- C. It is the object upon which tax is imposed.
- D. It is a penal tax.

**(01 mark)**

## SECTION B (80 MARKS)

Attempt any four questions

### Question 21

- a) Explain any **four** reasons why a bank may dishonour a cheque. **(04 marks)**  
 b) The following information relates to transactions that were passed through bank for Towakana Enterprises Ltd for the month of March, 2018:

#### **Cashbook (bank column)**

Details	Shs	Details	Shs
Balance b/ f	40,000,000	Cheque No. 014024	3,200,000
Bank interest	4,000	Cheque No. 014025	42,000,000
Cheque No. 01670	55,000,000	Cheque No. 014027	11,000,000
Cheque No. 0077470	6,100,000	Cheque No. 014028	26,000,000
Cheque No. 00800	17,000,000	Cheque No. 014030	1,000,000
Cash deposit	6,000,000	Cheque No. 014032	4,890,000
Cheque No. 108800	7,500,000	Cheque No. 014031	560,000
Cheque No. 0481	4,500,000	Balance c/ f	47,454,000
	<u>136,104,000</u>		<u>136,104,000</u>

#### **Bank statement**

Details	Debit (Shs)	Credit (Shs)	Balance (Shs)
Balance b/ f			40,000,000
Bank charges	12,000		39,988,000
Cheque No. 014024	3,200,000		36,788,000
Cheque No. 014032		8,490,000	45,278,000
Cheque No. 00800		17,000,000	62,278,000
Cheque No. 014027	11,000,000		51,278,000
Excise duty	1,200		51,276,800
Cash deposit		6,000,000	57,276,800
Cheque No. 014030	10,000,000		47,276,800
Cheque No. 108800		7,500,000	54,776,800
Standing order	5,000		54,771,800
Cheque No. 0481	4,500,000		50,271,800
Cash deposit		17,000,000	67,271,800
Bank interest		4,000	67,275,800

Additional information:

- Cheque numbers 01670 and 014025 were dishonoured by the bank at the time they were presented.
- All errors, if found, should be deemed to have occurred in the cashbook.

**Required:**

Prepare, for Towakana Enterprises Ltd for the month of March, 2018:

- i. An adjusted cashbook. **(11 marks)**
  - ii. A bank reconciliation statement. **(05 marks)**
- (Total 20 marks)**

**Question 22**

- a) Under what circumstances may one return goods sold on credit **(06 marks)**
- a) HENA Ltd deals in production and sale of packaging materials in Kacheka town. The following are the company's transactions that took place in the month of June 2018:

- 1<sup>st</sup> Credit purchases from: Musoke Shs 45 million, Munene Shs 30 million and Kasana Shs 36 million.
- 3<sup>rd</sup> Cash sales to: Mary Shs 5 million, Peter Shs 2 million and Jackson Shs 1.5 million.
- 6<sup>th</sup> Credit sales to: Jenifer Shs 6 million, Jane Shs 4 million, Samuel Shs 7 million and Exodus Shs 3 million.
- 6<sup>th</sup> Cash purchases from: Musana Shs 23 million and Kyakonye Shs 4 million.
- 9<sup>th</sup> Credit purchases from: Kinene Shs 3.4 million, Kijjambu Shs 4.5 million and Mukwaya Shs 5.6 million.
- 15<sup>th</sup> Credit sales to: Jenifer Shs 3 million, Jane Shs 3 million, Claire Shs 8 million and Deborah Shs 4 million.
- 20<sup>th</sup> Goods returned by HENA Ltd to: Musoke Shs 1 million, Mukwaya Shs 200,000, Kinene Shs 100,000 and Kijjambu Shs 300,000.
- 25<sup>th</sup> Goods returned to HENA Ltd by: Jenifer Shs 50,000, Exodus Shs 40,000.

**Required:**

Prepare, for HENA Ltd, for the month of June 2018, the following:

- i. Sales daybook **(4 marks)**
- ii. Purchases daybook **(3 marks)**
- iii. Return inwards daybook **(1 mark)**
- iv. Return outwards daybook **(2 marks)**
- v. General ledgers and post the totals obtained in (i)-(iv) above. (Hint: Purchases, Trade receivables, Trade payables, sales, return in wards and return outwards accounts).

**(4 marks)**  
**(Total 20 marks)**

## Question 23

- a) The following is a trial balance of JENE Enterprises for the financial year ended 31 December, 2017:

Details	Dr Shs '000'	Cr Shs '000'
Sales		230,000
Purchases	143,500	
Inventory as at 1 January, 2017	24,500	
Discounts	1,200	1,450
Sales and purchases returns	450	340
Carriage inwards	3,400	
Utilities	12,500	
Stationery	17,500	
Motor vehicles at cost	77,000	
Acc. depreciation for motor vehicles		11,350
Furniture and fittings at cost	35,700	
Acc. depreciation for furniture		8,925
Rent	45,400	
10% loan		53,150
Accounts receivable/Accounts payable	35,400	36,575
Cash at hand	2,350	
Cash at bank	18,500	
Carriage outwards	3,490	
Capital accounts:		
Jeremiah		34,500
Nehemiah		45,000
Current accounts:		
Jeremiah		5,400
Nehemiah		2,100
Drawings:		
Jeremiah	4,500	
Nehemiah	3,400	
	<u>7,900</u>	<u>7,500</u>

Additional information:

- i. Jeremiah and Nehemiah share profits and losses equally.
  - i. Inventory as at 31 December 2017 was valued at Shs 45,320,000.
  - ii. The interest on the loan is outstanding.
  - iii. Rent was paid on 1 October 2017 covering a period of 12 months.



- iv. The interest on capital is 10% per annum while interest on drawings is 5% per annum.
- v. Each partner is entitled to a salary Shs 300,000 per month.
- vi. Motor vehicles are depreciated at 20% on cost while furniture is depreciated at 5 % on reducing balance.

**Required:**

Prepare, for JENE Enterprises for the year ended 31 December 2017, a:

- i. statement of profit or loss and appropriation **(12 marks)**
- ii. partners' current account **(04 marks)**
- iii. balance sheet as at that date **(06 marks)**

**(Total 20 marks)**

**Question 24**

Sacred Images Ltd. depreciates its motor vehicles at the rate of 20% per annum on straight-line basis for each month of ownership. The following details were extracted from the company's books for the year ended 31 December 2004;

<b>Motor vehicles</b>	<b>date acquired</b>	<b>Cost shs. 000</b>
625 MAA	1 January 2001	28,800
512 MAB	1 October 2001	19,200
125 MAC	1 July 2002	24,000
643 MAD	1 April 2003	33,600
784 MAE	1 August 2004	25,600

Motor vehicle 512 MAB was sold for Shs. 4,800,000 on 30 June 2004 while motor vehicle 625 MAA was sold for Shs. 8,800,000 on 30 September 2004.

**Required:**

Prepare the following accounts for Sacred Images Ltd during the year ending 31 December 2004:

- (a) Motor vehicles account. **(06 marks)**
  - (b) Provision for depreciation on motor vehicles account. **(10 marks)**
  - (c) Motor vehicles disposal account. **(04 marks)**
- (Total 20)**

**Question 25**

a) KAMWESIGYE is a trader in Ntinda. His business is VAT registered. The following transactions appeared in her books for the Months of January 2016.

No.	PRODUCTS	PURCHASES (Shs )VAT Exclusive	SALES (Shs) VAT
1	Apples	4,000,000	9,000,000
2	Pineapples	4,500,000	6,500,000
3	Pawpaw	9,000,000	14,000,000
4	Mangoes	8,000,000	12,000,000
5	Oranges	12,000,000	18,000,000
		<b>37,500,000</b>	<b>59,500,000</b>

**Use 18% as VAT rate. Calculate**

- VAT paid by KAMWESIGYE on each type of product. **(06 marks)**
  - Compute VAT paid to URA. **(04 marks)**
- b) Mr. John Okello is a resident individual who is employed as a Sales Executive by Webale Investment Ltd. Below are details of his monthly remuneration for the year ending 30 June 2003:

	Shs
Basic Pay	4,500,000
Bonus	500,000
Housing Allowance	1,000,000
Medical Allowance	500,000
Lunch Allowance	300,000

**Required:**

- Compute Mr. Okello's monthly chargeable income and the tax liability thereon. **(10 marks)**

MONTHLY CHARGEABLE INCOME (Shs)	RATE OF TAX
0 – 235,000	NIL
235,000 – 335,000	10% of the amount by which chargeable income exceeds Shs 235,000
335,000 – 410,000	Shs 10,000 plus 20% of the amount by which chargeable income exceeds Shs 335,000
410,000 – 10,000,000	<ol style="list-style-type: none"> <li>Shs 25,000 plus 30% of the amount by which chargeable income exceeds shs 410,000</li> <li>Above Shs 10,000,000, charge additional 10%</li> </ol>

**Calculate Okello's monthly PAYE deductions.**

## Question 26

The treasurer of Muyenga Leisure Club (MLC) has presented to you the following receipts and payments account for the year to 31 December, 2015.

	Shs '000'		Shs '000'
Balance b/d	85,000	Bar supplies	70,000
Ordinary subscription	100,000	Rent	20,000
Donations	15,000	Wages for bar attendants	15,000
Bar sales	90,000	Stationery expenses	11,000
Life subscription	200,000	Transport	5,000
		Furniture	150,000
		Balance c/ d	219,000
	<u>490,000</u>		<u>490,000</u>

Additional information:

- i. Balances as at 31 December:

	2015 Shs '000'	2014 Shs '000'
Ordinary subscription in arrears	75,000	55,000
Ordinary subscription in advance	30,000	10,000
Bar inventory	6,500	5,000
Owing for bar supplies	4,000	3,000
Prepaid rent	6,000	7,500
Accrued stationery expenses	8,750	9,640

- iii. Furniture is depreciated at 20% per annum on cost.  
iv. The rent and stationery expenses should be apportioned between the club and the bar in the ratio of 3:1 respectively.  
v. Life subscription is recognised as income over a period of 20 years.

### Required:

Calculate the value of the accumulated fund for MLC as at 1 January, 2015.

**(4 marks)**

Prepare the following, for MLC for the year ended December, 2015:

- |       |                                   |                  |
|-------|-----------------------------------|------------------|
| (i)   | Ordinary subscription account.    | <b>(2 marks)</b> |
| (ii)  | Life subscription account.        | <b>(2 marks)</b> |
| (iii) | Bar statement of profit or loss.  | <b>(4 marks)</b> |
| (iv)  | Income and expenditure statement. | <b>(4 marks)</b> |
| (v)   | Statement of financial position.  | <b>(4 marks)</b> |

**(Total 20 marks)**

**END**