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PRINCIPLES OF ACCOUNTS
PAPER 1
AUGUST 2005
2 HOURS 30 MINUTES

MASAKA DIOCESE JOINT MOCK EXAMINATIONS 2005

**PRINCIPLES OF ACCOUNTS
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2 HOURS 30 MINUTES**

INSTRUCTIONS TO CANDIDATES:

This question paper consists of **two** sections: **A** and **B**.

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

SECTION A: (20 marks

Write a letter corresponding to the correct answer for each question in the answer booklet provided.

1. Which of the following statements best describes “an account?”
 - A. A book where transactions are recorded in a classified manner.
 - B. A book which records transaction as they occur day by day.
 - C. A page in the ledger book where transactions of an item is recorded.
 - D. A personal and impersonal ledger of an account.

2. On the debit side of a trial balance:
 - A. Assets and liabilities are recorded.
 - B. Assets and receipts are recorded.
 - C. Assets and expenses are recorded.
 - D. Assets only are recorded.

3. The bank statement of Wembley Secondary School showed a debit balance of shs.888, 888= on 31st January 2005. It was later discovered that cheques of shs. 22,222= had not yet been presented.

Calculate the balance of the adjusted cash book.
 - A. shs.911,110= CR
 - B. shs.911,110= DR
 - C. shs.866,666= DR
 - D. shs.866,666= DR

4. What would be the effects of drawing shs.80, 000= and Net loss shs.100, 000= on capital of shs.200,000?
 - A. Capital would increase by shs.380,000=
 - B. Capital would increase by shs.180,000=
 - C. Capital would reduce by shs.180,000=
 - D. Capital would reduce by shs.380,000=

P.T.O.

5. Which of the following equation is correct?
- A. Capital plus Assets equals liabilities.
 - B. Fixed capital plus working capital equals total assets.
 - C. Current assets minus current liabilities equals working capital.
 - D. Current assets plus fixed assets equals capital.
6. An invoice issued is used in preparation of.....
- A. Source documents.
 - B. Purchases Journal.
 - C. Returned inward Journal
 - D. Sales book.
7. The following are liabilities except:
- A. Wages outstanding.
 - B. Rent received in advance.
 - C. Subscription in advance.
 - D. Interest not yet received.
8. A provision is.....
- A. Money set aside to cater for unknown events in a business.
 - B. Money set aside from the profit of the business for those events that are known to happen.
 - C. Money set aside from the assets of a business.
 - D. Debited to provision for depreciation account.
9. Sales worth shs.1, 000,000= were credited to the purchases account. To correct this error:
- A. Debit purchases account with shs.1, 000,000 and credit sales account with shs.1, 000,000=.
 - B. Debit purchases account with shs.200, 000= and credit sales account with shs.2, 000,000=.
 - C. Debit suspense account with shs.1, 000,000= and credit purchases account with shs.1, 000,000.
 - D. Debit suspense account with shs.2, 000,000= and credit sales account with shs.2, 000,000=.

P.T.O.

10. A bad debt is.....

- A. A liability to the business.
- B. An irrecoverable debt.
- C. Deducted in the balance sheet.
- D. A credit item.

11. Referend Association had the following records:

Subscription in advance on 31st 12.2002 shs.7,000=
Subscription in advance on 1st December 2002 shs.20,000=
Subscription in arrears on 1st December 2002 shs.15,000=
Subscription in arrears on 31st December 2002 sshs.25,000=

If shs.460,000= was received during the year ended 31st December 2002, calculate the Subscription amount to be transferred to income and expenditure account on 31st December 2002.

- A. shs.480,000=.
- B. Shs.483,000=.
- C. Shs.473,000=.
- D. Shs.458,000=.

12. Always interest on partner's drawings is:

- A. allowed on capitals of each partner.
- B. charged against partners' drawings as agreed.
- C. debited to the appropriation account.
- D. a loan to partners.

13. The following are items necessary for preparing control account except:

- A. Credit Sales.
- B. Cash Purchases.
- C. Returns in and outwards.
- D. Inter ledger transfers.

14. When office cash is banked:

- A. debit cash column and credit bank column.
- B. credit cash column and debit bank column.
- C. a business doubles its revenue.
- D. cash ledger is a final account.

P.T.O.

15. A school works with a monthly imprest of shs.600,000=. If at the end of one month, shs.590,000= is spent, calculate the balance at hand.
- A. Shs.590,000=.
 - B. Shs.1,190,000=
 - C. Shs.10,000=.
 - D. Shs.600,000=.
16. The following are items of revenue expenditure except:
- A. Depreciation and maintenance of plant.
 - B. Interest paid on a loan.
 - C. Wages paid to worker men for the installation of plant in a factory.
 - D. Cost of goods purchased for re-sale.
17. A cash discount is:
- A. An allowance given for late payment.
 - B. An allowance to induce prompt payment.
 - C. Is effected at the time of buying goods.
 - D. A trade discharge of a firm.
18. A cheque is not honoured by the bank when:
- A. it is a stale cheque
 - B. it is duly signed by the correct signatories.
 - C. it is endorsed by the payee.
 - D. the amount in figures tally with those in words.
19. The credit side of an account records:
- A. The decrease in liabilities.
 - B. The increase in assets.
 - C. The decrease in gains.
 - D. The decrease in assets.
20. The surplus is:
- A. An excess of income over expenditure.
 - B. An excess of expenditure over income.
 - C. Added to working capital.
 - D. For a trading concern.

P.T.O.

SECTION B: (80 marks)

*Answer any **four** questions.*

- 21.** (a) Distinguish between a provision for bad debts and bad debts. (2 marks)
- (b) List the necessary ledger entries to record bad debts recovered up to the Profit and Loss Account.
- (c) The following transactions were extracted from the books of Kitooke traders:
- (i) On 1st July 2000, balanced were:
- provision for bad debts shs.50,000=.
 - Provision for depreciation on furniture shs.30,000=
 - Salaries outstanding shs.10,000=.

Enter the above balances in their respective accounts.

During the year ended 31st June 2001, the following transactions took place.

- Debtors shs.150,000=
 - Furniture shs.1,000,000=.
 - Salaries paid shs.500,000=.
- (ii) On 30th June 2001:
- The salaries account had a balance of shs.40,000= CR
 - The management of Kitooke traders decided to maintain the provision for bad debts at 20% p.a. on debts and
 - Depreciation on furniture at 10%.

Required to prepare duly balanced:

1. Provision for bad debts. (2 marks)
2. Provision for depreciation on furniture account. (2 marks)
3. Salaries account. (3 marks)
4. Profit and loss account extract, and (3 marks)
5. Balance sheet extract as at 30th June 2001 in relation to the above accounts. (3 marks)

22. The following information was a record from the books of Kisanja Wholesalers:

**Kisanja Wholesalers
Trial Balance as at 31.12.2004**

	Shs.	Shs.
Sales		2,000,000=
Purchases	1,200,000=	
Returns	20,000=	35,000=
Stock 1.12.2004	440,000=	
Carriage inwards	60,000=	
Salaries and Wages	500,000	
Discounts	100,000=	300,000=
Rent		155,000=
Stationery	50,000=	
Carriage outwards	70,000=	
Debtors and Creditors	400,000=	450,000=
Provision for bad debts		45,000=
Motor vans (at cost)	1,800,000=	
Furniture	200,000=	
Drawings	300,000=	
Provision for depreciation on motor vans		150,000=
Cash in hand	60,000=	
Capital		1,900,000=
Bank		165,000=
	5,200,000=	5,200,000
	=====	=====

Additional information:

1. Stock on 31.12.2004 was valued at shs.600,000=.
2. Rent shs,5000= had been received in advance.
3. Un used stationery amounted to shs.20,000=.
4. Salaries and wages accrued shs.100,000=.
5. depreciate motor vans by 10% p.a. and furniture by 5% p.a.
6. provision for bad debts be maintained at 15% on debtors.

You are required to prepare:

- (a) Kisanja's Trading and profit and Loss Account for year ended 31.12.2004.
- (b) Balance sheet as at that date.

23. B. Kunde Enterprises made the following transactions in the month of February and March 2005.

Feb.	10 th	Bought goods from Big Shots Ltd. For shs.8,000,000= And received invoice No.180.
	20 th	Bought shop furniture from Safe Custody Group Ltd. For shs.2,000,000=
	27 th	received an invoice No.099 from Tumukye and Sons for shs.4,000,000.
March	2 nd	Bought more goods from Big Shots Ltd., for shs.9,000,000= and invoice no.200 was obtained.
	5 th	Bought goods from Nyondo for shs.1,000,000=.
	18 th	Returned goods worth shs.1,500,000 to Tumukye and Sons for being defective.
	23 rd	Received a credit note No.012 from Big Shots for shs.500,000= for goods damaged.
	30 th	Received invoice no.888 for shs.1,400,000= from Nyondo for goods bought.

You are required to prepare in respect of the above transactions:

- (i) The necessary subsidiary books. (5 marks)
- (ii) The creditor accounts. (8 marks)
- (iii) The Trial Balance. (7 marks)

24. (a) Why is it important for a partnership firm to:

- (i) allow an interest on partner's capitals? (1 mark)

- (ii) Charge interest on partners' drawings? (1 mark)
- (iii) Have a partnership deed? (1 mark)
- (iv) Maintain current accounts of partners? (1 mark)
- (v) Prepare a profit and loss appropriation account? (1 mark)

(b) Lumonde and Fenne are in partnership, sharing profits and losses in the ratio 3: 2 respectively.

Their partnership agreement provides the following:

- 10% interest allowed on partner's capitals.
- 5% interest charged against partner's drawings.
- Fenne to get salary of shs.1,500= per month.

The following information was got from their firm for the year ended 31.12.2005:

(i) Current Account balanced on 1.1.2004:

Lumonde	shs.140,000= DR.
Fenne	shs.30,000= CR.

(ii) Partners drawings made on 1.4.2004:

Lumonde	shs.500,000=
Fenne	shs.400,000=

(iii) Capitals:

Lumonde	shs.800,000=
Fenne	shs.600,000=

(iv) The Net Profit after considering their interest on drawings was Shs.550,000=

You are required to prepare:

- (i) Profit and Loss appropriation account for the year ended 31.12.2004. (3 marks)
- (ii) Partners current accounts. (12 marks)

P.T.O.

25. (a) The following errors were discovered after the accountant of Lumbugu had calculated a net profit of shs.384,000=.
- (i) Sales book had been under cast by shs.24,000=
 - (ii) Opening stock had been overstated by shs.18,000=
 - (iii) Closing stock had been understated by shs.40,000=
 - (iv) Purchases of shs.110,000= had been omitted in the books.
 - (v) Rent paid shs.25,000= had been recorded as shs.52,000=.

Required to calculate the correct Net Profit.
(.... Marks)

- (b) The following errors were obtained from the books of FUDICI Traders at the end of their trading period.
- (i) Rent shs.90,000= had been debited twice in rent account.
 - (ii) A cheques of shs.200,000= paid to Kato Salongo had been debited to Kato Sula's Account.
 - (iii) Sales return book had been overstated by shs.40,000.
 - (iv) Cash paid to Dubai Ltd. Shs.800,000= had been credited to her account.
 - (v) Cash sales shs.300,000= had been credited to cash account and debited to sales account.

Required:

- (c) Journal entries to correct the above errors. (Ignore narration).
(...marks)
- (d) Post to the suspense account and duly balance it. (4 marks)

P.T.O.

26. Buzaaya Symphasizers Club had the following records on 1st January 2004:

-	Cash balance	shs.150,000=
-	Subscription in advance	shs.50,000=
-	Subscription in arrears	shs.30,000=
-	Creditors	shs.45,000=
-	Motor vans	shs.850,000=
-	Debtors	shs.400,000=

In the course of the year 2004, the following took place:

-	Subscription received was	shs.1,980,000=
-	Membership fee from new members	shs.400,000=
-	Collections from workshops	shs.200,000=
-	Payment for workshop preparation	shs.120,000=
-	Hire of halls	shs.250,000=
-	Payment for facilitators of workshop	shs.450,000=
-	Telephone expenses	shs.60,000=
-	Purchase of computer set and equipment	shs.280,000=
-	Repairs on motor van	shs.100,000= remained unpaid.

Required:

- (a) The balance Sheet as at 01.01.2004
- (b) Receipts and payments account for year 2004.
- (c) Income and expenditure account for the year ended 31.12.2004.

END