INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

FACULTY OF BUSINESS MANAGEMENT

END OF SEMESTER EXAMINATIONS - AUGUST 2025

PROGRAMME: MBA
YEAR/SEM: YEAR 1/SEMESTER 1
COURSE CODE: MBA 710
NAME: ACCOUNTING AND FINANCE IN DECISION MAKING

DATE:
TIME:

INSTRUCTIONS TO CANDIDATES:

SECTION A

QUESTION 1 IS COMPULSORY(40 mks)

Question 1:

Appliance World Uganda Ltd is a company dealing in the sale of televisions, radios and fridges. The following were the beginning and closing balances for the period beginning 1st .01.2009 and ended 31st .12. 2009

Ledger Item	Balance B/f (UGX '000')	Balance C/f (UGX '000')
Property, plant and equipment	58,799	54,039
Share Capital	251,782	251,782
Retained Earnings	33,485	46,463
Accounts Receivable Uganda Telecom Warid Telecom MTN (U) Ltd	 - - 261,495	 39,388 35,000 -
Cash and Cash Equivalents Cash at hand Cash at bank	 8,450 13,275	 14,033 162,822
Accounts payable Peacock paints Professional fees	 6,000 50,752	 7,037 -
Sales Revenue Uganda Telecom Warid Telecom Orange Telecom	 66,230 - 67,797	 24,610 116,447 1,991,525
Cost of sales	69,357	1,883,603

Administrative expenses		
Legal fees	-	7150
Print and stationery	786	806
Meals and Refreshments	985	1,093
Salaries	4,200	4,200
Office Rent	6,256	6,256
Professional fees	-	56,747
Office Communication	1,222	1,020
Audit fees	1,500	1,500
Depreciation	5,134	18,227
Directors Emoluments	10,978	40,867
Bad debts written off	-	97,740
Finance expenses		
Bank charges	124	395

Additional information

1. The written down values (W.D.V) as at 1.01.2009 for fixed assets include;

- Furniture and fittings 212,000
- Machinery and equipment 3,324,000
- Computers 1,133,000

2. The cost of fixed assets as at 1.01.2009 include;

-Computers 1,570,000

- Furniture and fittings 2,713,000

- Machinery and equipment 59,650,000

3. Depreciation was calculated to write off the cost using reducing balance method. The rates used were;

- Computers 40% p.a

- Furniture and fittings 12.5% p.a

- Machinery and equipment 25% p.a

4. The accumulated depreciation of fixed assets as at 1.01.2009 includes;

-Computers 830,000

- Furniture and fittings 880,000

- Machinery and equipment 3,424,000

5. The accounts were based on historical cost convention and noncurrent assets are stated on historical cost. Additional computers worth 1,858,000 and machinery & equipment worth 11, 609,000 was obtained during the period of 2009

Required

Prepare the company's Notes to the Accounts, cash flow statement, statement of comprehensive income, statement of financial position, and statement of changes in Equity.

Question 2:

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SECTION B

ANSWER ANY THREE QUESTIONS(EACH 20 MKS)

Question 1:

A three-column cash book for a wine wholesaler is to be written up from the following details, balanced-off, and the relevant discount accounts in the general ledger shown.

2008

Mar 1 Balances brought forward: Cash £620; Bank £7,142.

2 The following paid their accounts by cheque, in each case deducting 5 per cent cash discounts: G Slick £260; P Fish £320; T Old £420 (all amounts are pre-discount).

4 Paid rent by cheque £430.

6 F Black lent us £5,000 paying by cheque.

8 We paid the following accounts by cheque in each case deducting a 21/2 per cent cash discount: R White £720; G Green £960; L Flip £1,600 (all amounts are pre-discount).

10 Paid motor expenses in cash £81.

12 J Pie pays his account of £90, by cheque £88, deducting £2 cash discount.

15 Paid wages in cash £580.

18 The following paid their accounts by cheque, in each case deducting 5 per cent cash discount: A Pony £540; B Line & Son £700; T Owen £520 (all amounts are pre-discount).

21 Cash withdrawn from the bank £400 for business use.

24 Cash drawings £200.

25 Paid W Peat his account of £160, by cash £155, having deducted £5 cash discount.

29 Bought fixtures paying by cheque £720.

31 Received commission by cheque £120.

Question 2:

Enter the following in the three-column cash book of an office supply shop. Balance-off the cash book at the end of the month and show the discount accounts in the general ledger.

2008

June 1 Balances brought forward: Cash £420; Bank £4,940.

2 The following paiçi us by cheque, in each case deducting a 5 per cent cash discount:

S Braga £820; L Pine £320; G Hodd £440; M Rae £1,040.

3 Cash sales paid direct into the bank £740.

5 Paid rent by cash £340.

6 We paid the following accounts by cheque, in each case deducting 21/2 per cent cash discount: M Peters £360; G Graham £960; F Bell £400.

8 Withdrew cash from the bank for business use £400.

10 Cash sales £1,260.

12 B Age paid us their account of £20 by cheque less £4 cashdiscount.

14 Paid wages by cash £540.

16 We paid the following accounts by cheque: R Todd £310 less cash discount £15; F Duty

£412 less cash discount £12.

20 Bought fixtures by cheque £4,320.

24 Bought lorry paying by cheque £14,300.

29 Received £324 cheque from A Line.

30 Cash sales £980.

30 Bought stationery paying by cash £56.

Question 3:

a) Determine credit sales using accounts receivable control account.

Illustration

Given the following information, determine the credit sales

Accounts receivables 1st January 2009	140,000
Bad Debts written off	3,400
Cash received from customers	780,000
Returns in wards	5,700
Discounts allowed	15,000

Accounts receivable at 31st December 2009 130,000 (5 mk)

b) Determine credit purchases using Accounts payable control Account.

Illustration

Given the following information, determine the credit purchases

Accounts payable 1st January 2009	80,000
Discounts received	14,000
Returns out wards	12,500
Bank payment to suppliers	500,000
Accounts payable 31st December 2009	75,000 (5 mks)

a) Draw up a statement of financial position to determine the opening capital. The statement of financial position is a balance sheet that takes into account the assets and liabilities at start of the accounting period.

Illustration

Brian had the following Assets and Liabilities on 1st January 2009

Premises	30,000
Machinery	120,000
Inventory	80,000
Receivables	65,000
Payables	50,000
Prepayments	9,000
Accrued Expenses	6,000
Cash at Bank	120,000
Cash at Hand	45,000
Motor Vehicles	140,000
Bills Payable	56,000
Furniture	70,000

Required

Compute Brian's capital as at 1st January 2009 (10 mks)

Question 4:

Enter the following transactions of an antiques shop in the accounts and extract a trial balance as at 31 March 2008.

2008

March

1 Started in business with £8,000 in the bank.

2 Bought goods on credit from the following persons: L Frank £550; G Byers £290; P Lee £610.

5 Cash sales £510.

6 Paid wages in cash £110.

7 Sold goods on credit to: J Snow £295; K Park £360; B Tyler £640.

9 Bought goods for cash £120.

10 Bought goods on credit from: G Byers £410; P Lee £1,240.

12 Paid wages in cash £110.

13 Sold goods on credit to: K Park £610; B Tyler £205.

15 Bought shop fixtures on credit from Stop Ltd £740.

17 Paid G Byers by cheque £700.

18 We returned goods to P Lee £83.

21 Paid Stop Ltd a cheque for £740.

24 B Tyler paid us his account by cheque £845.

27 We returned goods to L Frank £18.

30 G Prince lent us £1,000 by cash.

31 Bought a van paying by cheque £6,250.

Question 5:

Record the following details relating to a carpet retailer for the month of November 2007 and extract a trial balance as at 30 November 2007.

2007

Nov

1 Started in business with £15,000 in the bank.

3 Bought goods on credit from: J Small £290; F Brown £1,200; T Rae £610; R Charles

£530.

5 Cash sales E6l0.

6 Paid rent by cheque £175.

7 Paid business rates by cheque £130.

11 Sold goods on credit to: T Potts £85; J Field £48; T Gray £1,640.

17 Paid wages by cash £290.

18 We returned goods to: J Small £18; R Charles £27.

19 Bought goods on credit from: R Charles £110; T Rae £320; F Jack £165.

20 Goods were returned to us by: J Field £6; T Potts £14.

21 Bought van on credit from Turnkey Motors £4,950.

23 We paid the following by cheque: J Small £272; F Brown £1,200; T Rae £500.

25 Bought another van, paying by cheque immediately £6,200.

26 Received a loan of £750 cash from B Bennet.

28 Received cheques from: T Potts £71; J Field £42.

30 Proprietor brings a further £900 into the business, by a payment into the business bank account.

Question 6:

Read the following and answer the questions below.

On 31 December 2008 the bank column of C Tench's cash book showed a debit balance of £1,500. The monthly bank statement written up to 31 December 2008 showed a credit balance of £2,950.

On checking the cash book with the bank statement it was discovered that the following transactions had not been entered in the cash book:

Dividends of £240 had been paid directly to the bank.

A credit transfer - HM Revenue & Customs VAT refund of £260 - had been collected by the bank.

Bank charges £30.

A direct debit of £70 for the RAC subscription had been paid by the bank.

A standing order of £200 for C Tench's loan repayment had been paid by the bank.

C Tench's deposit account balance of £1,400 was transferred into his bank current account.

A further check revealed the following items:

Two cheques drawn in favour of T Cod £250 and F Haddock £290 had been entered in the cash book but had not been presented for payment.

Cash and cheques amounting to £690 had been paid into the bank on 31 December 2008 but were not credited by the bank until 2 January 2009.

(a) Starting with the debit balance of £1,500, bring the cash book (bank columns) up to date and then balance the bank account.

(b) Prepare a bank reconciliation statement as at 31 December 2008.

Question 7:

In the draft accounts for the year ended 31 October 2009 of Thomas P Lee, garage proprietor, the balance at bank according to the cash book was £894.68 in hand.

Subsequently the following discoveries were made:

(1) Cheque number 176276 dated 3 September 2009 for £310.84 in favour of G Lowe Limited has been correctly recorded in the bank statement, but included in the cash book payments as £301.84.

(2) Bank commission charged of £169.56 and bank interest charged of £109.10 have been entered in the bank statement on 23 October 2009, but not included in the cash book.

(3) The recently received bank statement shows that a cheque for £29.31 received from T Andrews and credited in the bank statements on 9 October 2009 has now been dishonoured and debited in the bank

statement on 26 October 2009. The only entry in the cash book for this cheque records its receipt on 8 October 2009.

(4) Cheque number 177145 for £15.10 has been recorded twice as a credit in the cash book.

(5) Amounts received in the last few days of October 2009 totaling £1,895.60 and recorded in the cash book have not been included in the bank statements until 2 November 2009,

(6) Cheques paid according to the cash book during October 2009 and totaling £395.80 were not presented for payment to the bank until November 2009.

(7) Traders' credits totaling £210.10 have been credited in the bank statement on 26 October 2009, but not yet recorded in the cash book.

(8) A standing order payment of £15.00 on 17 October 2009 to Countryside Publications has been recorded in the bank statement but is not mentioned in the cash book.

Required:

(a) Prepare a computation of the balance at bank to be included in Thomas P Lee's balance sheet as at 31 October 2009.

(b) Prepare a bank reconciliation statement as at 31 October 2009 for Thomas P Lee.

(c) Briefly explain why it is necessary to prepare bank reconciliation statements at accounting year ends.

Question 8:

Sheila and Leo are in partnership sharing profits and losses in the ratio of 6:4. The following is

their trial balance for the year ended 31st 12 2009.

SHEILA AND LEO'S TRIAL BALANCE FOR THE PERIOD ENDED 31ST DECEMBER 2009

Details	Dr '000	Cr '000
Office equipment cost	13,000	
Motor vehicle at cost	18,400	
Provision for depreciation		
Motor Vehicles		7,360
Office equipment		3,900
Inventory at 1st.01.2009	49,940	
Receivables	41,920	
Payables		32,550
Cash at Bank	1,230	
Cash at hand	280	
Sales Revenue		180,740
Purchases	143,260	
Salaries	16,834	
Office expenses	2,740	
Discounts Allowed	1,126	
Current Account		
Sheila		2,758

Leo		2,422
Capital Account		
Sheila		54,000
Leo		24,000
Drawings		
Sheila		11,000
Leo		8,000
TOTAL	307,730	307,730

Additional Information

1) Closing inventory was valued at shs. 54, 680
2) Office expenses owing was shs. 220
3) Provide for depreciation on motor vehicle 20% on cost and office equipments 10% at cost
4) Interest on capital is charged at 10%
5) Charge interest on drawings Sheila shs. 360 and Leo shs. 420.

Required;

Prepare the financial statements for the period ended including the capital and current accounts for the partners

Question 9:

Allen and Bwambale are partners sharing profits and losses in the ratio of 2:1. On 31st December 2009, they decided to dissolve the partnership. The statement of financial position as at that date was as below

Noncurrent Assets	
Land and Buildings	150,000

Furniture	100,000
Motor Vehicles	100,000
	350,000
Current Assets	
Inventory	150,000
Receivables	200,000
Bank	50,000
	400,000
Total Assets	750,000
Equity and Liabilities	
Equity Capital Account A B	 500,000 200,000
	700,000
Current Account A B	 100,000 (300,000)
Liabilities	
Accounts Payable	250,000
Total Equity and Liabilities	750,000

On that date, the following transactions took place. Buildings and Furniture realized shs. 170,000 and shs. 80,000 respectively, motor vehicle wer taken over by A at 85,000,

inventory was taken over by A at shs. 130,000, receivables were factored to Sudhir at shs. 180,000. The external liabilities were paid off less 5% discount. Realization expenses amounted to 40,000

Required

Prepare the following ledger account to close off the books of the partnership

a) Realization account

b) Capital Account

c) Bank Account

Question 10:

Given that on January 1st 2008, AFRICELL UGANDA 2015won a prize from Warid Telecom (U) Ltd and started business as a retailer in second hand women garments. At that date he purchased shop premises worth Ugandan shillings 14,000,000 and paid Ug.shs 2,000,000 for interior fittings. He also paid Ug.shs. 4,000,000 into his bank account. On 31st December 2009, he realized the need for a comprehensive income figure for the two years he had been in business, but his records were completely inadequate. At this date the assets he possessed in addition to the premises and fittings were;

Cash at bank	2,500,000
Motor Vehicle	8,000,000
Receivables	1,040,000
Inventory	6,000,000

Accounts payable were 1,400,000 and had borrowed Ug.shs. 10,000,000 from a friend. Interest accrued on the loan amount to

Ug.shs. 200,000. AFRICELL UGANDA 2015estimated that he was withdrawing Ug.shs. 300,000 per month from the business.

Required

Determine the net profit for the two years valuing the non-current assets at cost less depreciation as given below;

Premises at 4% p.a, Fittings at 10% p.a and on motor vehicle at 20% p.a.

Question 11:

a) The following balances were extracted fro the books of a premium fund for the year ended 30 June 1994.

Payments to members	500,000	
Payments of management expenses	150,000	
Members contributions		800,000
Interest on investment		400,000
Investment account	2,000,000	
Fund account		1,800,000
Cash		
Payment General Account	350,000	
	3,000,000	3,000,000

REQUIRED

Prepare income and expenditure account for the year ended 30 june 1994 and a balance sheet as at that date. **(10 mks)**

b) The approved estimates and actual expenditures details of the ministry for the year ended 1993/94 were as follows

Gross estimated expenditure	1,680,000
Estimated Appropriation in Aid	140,000
Net estimate	
Drawings from exchequer	1,630,000
Gross Expenditure	1,490,000
Actual appropriation in aid	130,000

REQUIRED

a) The General Account of Vote

b) The Exchequer Account

c) The Paymaster general (P.M.G) Account

d) A statement of assete and liabilities as at 30 june 1994. (each 2 ½ mks)

Question 12:

a) The following balances were extracted fro the books of a premium fund for the year ended 30 June 1994.

Payments to members	500,000	
Payments of management expenses	150,000	
Members contributions		800,000
Interest on investment		400,000
Investment account	2,000,000	
Fund account		1,800,000
Cash		
Payment General Account	350,000	
	3,000,000	3,000,000

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