



**ALUPE UNIVERSITY
COLLEGE**

... Bastion of Knowledge...

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**OFFICE OF THE DEPUTY PRINCIPAL
ACADEMICS, RESEARCH AND STUDENTS' AFFAIRS**

UNIVERSITY EXAMINATIONS

2021 /2022 ACADEMIC YEAR

**FIRST YEAR SECOND SEMESTER REGULAR EXAMINATION
FOR THE DIPLOMA IN BUSINESS
MANAGEMENT**

COURSE CODE: DBM 08

COURSE TITLE: FINANCIAL ACCOUNTING I

DATE: 03/06/2022

TIME: 8.00AM-12.00PM

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 4 PRINTED PAGES

PLEASE TURN OVER

INSTRUCTIONS TO CANDIDATES

- i. Answer Question **ONE** and any other **TWO** questions.
- ii. Maps and diagrams should be used whenever they serve to illustrate the answer.
- iii. Do not write on the question paper.

QUESTION ONE (TOTAL 30 MARKS)

A. John and Agnes are partners sharing profits and losses in the ration 2:1. The trial balance for the partnership as at 31st July 2020 was as follows:

	Shs	shs
Capital accounts: John		5,100,000
Agnes		2,550,000
Drawings: John	1,530,000	
Agnes	680,000	
Purchases	16,660,000	
Sales		25,364,000
Returns inwards and returns outwards	442,000	578,000
Business premises at cost	2,380,000	
Office furniture at cot	765,000	
Trade receivables and trade payables	4,981,000	4,233,000
Inventory (1 st August 2019)	5,807,200	
Salaries	1,581,000	
Rates and insurance	715,700	
General expenses	210,800	
Carriage outwards	243,100	
Advertising	105,400	
Bank and cash	1,723,800	
	37,825,000	37,825,000

Additional information

- i. Interest on capital account balances is allowed at 5% per annum
- ii. Interest on drawings is charged at 10% per annum
- iii. Agnes is entitled to a monthly salary of shs 60,000
- iv. Outstanding advertising expenses as at 31st July 2020 are shs 10,500
- v. Rates paid in advance as at 31st July 2020 amounted to shs 49,300
- vi. Inventory as at 31st July was valued at shs 5,304,000
- vii. Depreciation on office furniture is charged at 10% per annum on cost

Required

- a. Income statement for the year ended 31st July 2017 (10 marks)
 - b. Partners' capital accounts (5 marks)
 - c. Statement of financial position as at 31st July 2017 (5 marks)
- B. What key features can be identified as differences between the final accounts of a sole trader, partnership and company? Illustrate your answer (10 marks)

QUESTION TWO (TOTAL 20 MARKS)

Explain and illustrate the contents of the Memorandum of Association and Articles of Association in the context of forming a partnership:

- i. Memorandum of Association (10 marks)
- ii. Articles of Association (10 marks)

QUESTION THREE (TOTAL 20 MARKS)

- a) Define cost accounting and highlight the relationship and difference between management accounting and cost accounting (6 marks).
- b) Explain the difference between the following terms (2 Marks each)
 - i. Product cost and period cost
 - ii. Sunk cost and relevant cost
 - iii. Incremental and sunk costs
 - iv. Fixed and variable cost
 - v. Avoidable and unavoidable costs
 - vi. Controllable and uncontrollable costs
 - vii. Direct and indirect costs

QUESTION FOUR (TOTAL 20 MARKS)

Explain briefly how the following methods are used in cost estimation:

- i. Account Analysis
- ii. Engineering Analysis
- iii. Scatter Graph Method
- iv. High Low Method
- v. Regression Analysis (5 marks each)