UGANDA INSTITUTE OF INFORMATION AND COMMUNICATIONS TECHNOLOGY
END OF SEMESTER TWO EXAMINATIONS ACADEMIC YEAR 2025/2026

DEPARTMENT	:	MGT
YEAR OF STUDY	:	ONE
PROGRAM	:	DAF
COURSE	:	PRINCIPLES OF FINANCIAL ACCOUNTING II
COURSE CODE	:	ACF 1201
DATE	:	FRIDAY 26TH, JUNE, 2026
TIME	:	09:00-12:00 HOURS
DURATION	:	3 HOURS

INSTRUCTIONS:

i. This paper consists of **TWO** sections, **SECTION A & B**

ii. Answer **FOUR (4)** Questions in all.

iii. Section A is **COMPULSORY)**, Answer any **THREE** questions from **Section B**

iv. Credit will be given for the use of relevant examples and illustrations.

v. Mobile phones are **NOT** allowed in the exam room.

vi. **DO NOT** write anything on this question paper, rough work should be done in the answer booklet and cancelled through.

vii. Start a new number on a new fresh page.

SECTION A (THIS SECTION IS COMPLSORY)

Question One

Provide short answers for the following;

a) Enlighten the public on the application of the following concepts;

i) Business Entity Concept:

ii) Going Concern Concept:

iii) Historical Cost Principle:

iv) Matching Principle:

b) Outline four benefits of applying the accounting concepts. **(04 marks)**

c) Give five ways in which financial statements help management meet their objective of accountability and stewardship to shareholders. **(05 marks)**

d) Explain how is Goodwill treated when a new partner pays for it privately. **(03 marks)**

e) What is the difference between issuing shares at:

i) Par, **(02 marks)**

ii) Premium. **(02 marks)**

iii) Discount **(02 marks)**

f) Describe what happens if an investor fails to pay the required installments (allotment or calls) on their shares, in terms of the consequence and accounting treatment. **(04 marks)**

g) A company has $50,000 in Current Assets and $25,000 in Current Liabilities. If they buy $10,000 of inventory on credit, what is the new current ratio, and how does it impact their short-term liquidity **(04 marks)**

h) If a nonprofit making organization runs a trading activity (e.g., a bar or canteen), how is the profit treated? **(03marks)**

i) Identify the three basic elements of manufacturing cost. **(03 marks)**

SECTION B (Attempt any three (3) questions from this section)

Question Two

a) List eight (8) characteristics of partnership businesses. **(08 marks)**

Said and Daudi are in partnership and share profit and loss in the ratio 3:2. On 31st December 2017, the balance sheet of Said and David was as follows;

Balance sheet

Capital accounts			Non-current Assets		
	shs	shs		shs	shs
Said	20,000		Freehold		
Daudi	10,000	30,000	Property	20,000	
			Motor cars	5,000	
Current liabilities			Office Equipment	3,000	28,000

		5,000	Current Assets		
			Stock	3,000	
			Debtors	2,500	
			Cash and Bank	1,200	7000
		35,000			35,000

January 2018, they admitted John as their partner on the following conditions:

John was to bring in shs 10,000

The profit-sharing ratios would be 3:1:1

ii. It was agreed to revalue certain assets before admitting John as under;

	Shs
Freehold property	27,000
Motor cars	4,000
Office Equipment	2,500
Stock	1,700

Required;

Show the following accounts;

a) Revaluation account **(03 marks)**

b) Partners' capital accounts **(04 marks)**

c) Balance sheet as at 1st January 2018 after the above adjustment. **(05 marks)**

Question Three

a) What is a share? List out various kinds of shares which can be issued by companies **(07 marks)**

b) On 1.1.2025, R Ltd., offers 10000 shares of shs. 1000 each payable as follows: On Application Ugx. 3 per share

On Allotment	Shs.2 per share
On First call	Shs.3 per share
On Final call	Shs.2 per share

All the shares are subscribed and amounts duly received. Pass journal entries. **(08 marks)**

c) Write about the following terms used in Company

Applications:

Allotment:

Calls

Calls in arrears

Forfeiture of shares

(05 marks)

Question Four

The following trial balance is extracted from the books of JBK Manufacturing company as on 31 December,20

	(shs)
Stock of raw materials 1.1 2025	21,000
Stock of finished goods 1.1 2025	38,900
Work in progress 1.1 2025	13,500
Wages- direct	180,000
Factory indirect	140,500
Royalties	7,000
Carriage on raw materials	3,500

Depreciation on production machinery	28,000
Depreciation on accounting machinery	2000
General factory expenses	31,000
Lighting	7,500
Factory power	13,700
Salesmen's salaries	30,000
Administrative salaries	44,000
Commission on sales	11,300
Rent	12,000
Insurance	4200
General administrative expenses	13,400
Bank charges	2,300
Discount allowed	4,800
Carriage outwards	5,900
Sales	1,000,000

Additional information;

i. Stock as at 31 December,2025

Raw materials shs.24, 000

Finished goods shs.40, 000

Work in progress shs.15, 000

ii. Lighting, rent and insurance are to be apportioned factory five –sixths (5/6), administration one – sixth (1/6)

Required:

Prepare a Manufacturing, Income statement for the year ended 31 December,2025 **(20 Marks)**

Question Five

The following is an extract from Hope Ltd's financial statements for the year ended 2024:

- Net Sales: UGX 250,000,000
- Cost of Goods Sold: UGX 175,000,000
- Net Income: UGX 30,000,000
- Total Assets: UGX 300,000,000
- Shareholders' Equity: UGX 180,000,000
- Current Assets: UGX 100,000,000
- Current Liabilities: UGX 40,000,000
- Inventory: UGX 30,000,000

a) **Required**: Calculate the following ratios and interpret each:

i. Gross Profit Margin **(02 marks)**

ii. Net Profit Margin **(02 marks)**

iii. Return on Assets (ROA) **(02 marks)**

iv. Current Ratio **(02 marks)**

v. Quick Ratio **(02 marks)**

vi. Debt to Equity Ratio **(02 marks)**

b) Explain four (4) benefits and four (4) limitation of using financial ratios for company analysis. Use examples where necessary. **(8 marks)**

r of Shell sports club submitted the following information:

Receipts and payments account

	Shs		Shs
b/f	2,400,000	Salaries	1,800,000
ubscription	5,450,000	Rent	480,000
Donations	460,000	Stationary	420,000
Dance Income	320,000	Furniture	1,200,000
		Dance Expense	380,000
		Sports Equipment	1,400,000
		Ground rent	360,000
		Bal c/f	2,590,000
	8,830,000		**8,830,000**

On January 1.2025 the club submitted the following:

	Shs
Premises	40,000,000
Loan	20,000,000
Furniture	18,800,000
Club Van	60,000,000
Uniforms	10,000,000

The following additional information was also provided;

i) Furniture should be depreciation by 10 % per annum.
ii) Salaries outstanding shs. 200,000
iii) Rent prepaid shs 8 i0.000

Required;

a) Determine the accumulated fund as at January 1.2025. **(06 marks)**

b) Prepare Income and Expenditure for the club for year ended December 31.2025 and a Balance sheet as at that date. **(14 marks)**

Question Seven

a) Explain the term the single-entry system, and give four reasons why is it considered an incomplete system. **(02 marks)**

b) State four limitations of the single-entry system of bookkeeping **(08 marks)**

c) Distinguish between Branch Accounting and Departmental Accounting and give four objectives of preparing departmental accounts **(10 marks)**