**MAKERERE UNIVERSITY BUSINESS SCHOOL**

**MAKE UP COURSE WORK FOR THE DEGREE OF BACHELOR OF SCIENCE IN ACCOUNTING OF MAKERERE UNIVERSITY, ACADEMIC YEAR 2023/2024**

**COURSE NAME: FUNDAMENTALS OF ACCOUNTING PRINCIPLES:**

**YEAR OF STUDY: ONE**

**COURSE CODE: BSA 1103 DATE: November 27th 2023**

**SEMESTER: ONE**

**TAKE HOME TEST: Submission Time: 27th November 2023: 2PM**

**INSTRUCTIONS:** This paper has one question with three parts, (a, b & c ) which you are required to respond to.

BRAGG CO., is merchandising company facing decisions about which inventory system and costing method to use, how to value inventory, and how much inventory to keep in stock.

**Required:**

1. Why is the relationship between accrual accounting and valuation important for inventory accounting? **(5 marks)**

b) The following data is about BRAGG’s inventory and purchases from October 2023:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Beginning Inventory and Purchases | | | |  |  |  |
| Date | | Details | Units | Cost (Ugx) | Total | Sales-Units |
| October | 1 | Inventory | 2,800 | 200 | 560,000 |  |
|  | 8 | Purchases | 1,200 | 220 | 264,000 |  |
|  | 10 | Purchases | 600 | 350 | 210,000 |  |
|  | 15 | Purchases | 3,000 | 150 | 450,000 |  |
|  | 20 | Purchases | 2,500 | 210 | 525,000 |  |
|  | 20 | Sale |  |  |  | 3800 |
|  | 21 | Purchases | 300 | 400 | 120,000 |  |
|  | 25 | Purchases | 1,500 | 200 | 300,000 |  |

**Required:**

Under periodic (***10 marks***) and perpetual (***10 marks***) inventory system; how would BRAGG Co. account for merchandise inventory using

i)) the average -cost method,

ii) the FIFO method, and

iii) the LIFO method

c)How do decisions about inventory valuation and inventory levels affect operating results? **(5 marks)**

**Total Marks 30**

END OF PAPER