

# BOOK-KEEPING - FORM IV - 2011

## Solutions

Prepared for [Maktaba by TETEA](#) by:

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### QUESTION 1

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
A	C	D	C	D	E	B	D	C	E

### QUESTION 2

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
J	C	G	M	N	L	K	F	A	E

### QUESTION 3 (A)

#### JOURNAL ENTRIES

DETAILS	DR (SHS.)	CR (SHS)
Bizimungu	1,200	
Suspense		1,200
Being error of posting figure on the wrong side now rectified		
Suspense (1,640 - 640)	1,000	
Ramson		1,000
Being error of posting wrong figure on the Ramson account now rectified		
Sales	1,500	
Old furniture		1,500
Being old furniture passed through sales account		
Suspense	60	
Discount received		60
Being error of under casting amount on discount received A/C now rectified		
Rent	3,400	
Landlord		3,400
Being error of principle now rectified		

DR

SUSPENSE ACCOUNT

CR

DETAILS	SHS.	DETILS	SHS.
Balance b/d	140	Bizimungu	1,200
Ramson	1,000		
Discount received	<u>60</u>		
	<b>1,200</b>		<b>1,200</b>

### QUESTION 3 (B(i))

Bank reconciliation statement refers to a statement prepared to tally the information in the cash book with that at the bank.

### QUESTION 3 (B(ii))

#### BANK RECONCILIATION STATEMENT AS AT 31.12.2005

DETAILS	SHS .	SHS.
Balance as per bank statement		11,520
Add: uncredited cheques		<u>3,240</u>
		<b>14,760</b>
Less: un presented cheques		<u>2,520</u>
Balance as per adjusted cashbook		<b>12,240</b>

DR CASHBOOK		ADJUSTED CR	
DETAILS	SH	DETAILS	SH
Balance b/d	12,390	Bank charges	150
		Balance c/d	<u>12,240</u>
<b>-</b>	<b>12,390</b>	<b>-</b>	<b>12,390</b>
Balance b/d	12,240		

### QUESTION 4

- Creditors refer to the people or institutions that extend credit to other person and has to be paid.
- Business entity concept it states that “every business entity must be separated”. This means that if the owner takes any good from the business, he/ she must pay for it.
- Trading account is an account prepared for calculating gross profit or gross loss at the end of the accounting period
- Depreciation is the loss in value of an epreciitem. Dation can be caused by wear and tear.
- Accrual concept refer to a cost incurred or revenue earned but not yet paid or received at the end of the accounting period

### QUESTION 5

DR	INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31/12/2007		CR
EXPENDITURE	SHS.	INCOME	SHS.
Loss on disposal of furniture (3,500 - 2,000)	1,500	Subscription	5,800
Salary for secretaries	6,000	Interest from bank	1,000
Salary for staff (W1)	6,000	Sales proceeds of old newspaper	400
Canteen expenses (W2)	11,500	Canteen collection	12,000
Miscellaneous expenses	2,500	Donation for building fund	10,000
Depreciation of furniture (W5)	1,050		
Surplus	650		
	<b>29,200</b>		<b>29,200</b>

DR	SUBSCRIPTION ACCOUNT				CR
DATE	DETAILS	SHS	DATE	DETAILS	SHS.
31/12/2006	Accrued b/d	1,000	31/12/2006	Prepaid b/d	200
31/12/2007	Income and expenditure	5,800	31/12/2006	Bank	500
31/12/2007	Prepaid c/d	400	31/12/2007	Bank	5,500
			31/12/2007	Bank	400
			31/12/2007	Accrued c/d (1,000 - 400)	600
		<b>7,200</b>			<b>7,200</b>
1/1/2008	Accrued b/d	600	1/1/2008	Prepaid b/d	400

DR	CHILINDIMA SOCIAL BALANCE SHEET AS AT 31/12/2007				CR
ASSET	SHS	SHS.	CAPITAL AND LIABILITIES	SHS.	SHS.
Fixed Asset			Capital	53,800	
Building (W3)	30,000		Add: surplus	650	
Furniture (W4)	2,450		New capital		54,450
		39,450			
Current Asset			LIABILITIES		
Subscription receivable	600				
Prepaid canteen expenses	1,500				
	10,000				
Fixed deposit with bank			Oustanding salary	2,000	
Bank	4,000		Subscription in advance	400	
Cash	1,300				2,400
		17400			
		<b>56,850</b>			<b>56,850</b>

Workings:

(w1) DR		SALARY FOR STAFF ACCOUNT			CR
DATE	DETAILS	SHS .	DATE	DETAILS	SHS .
31/12/2007	Bank	5,000	31/12/2006	Accrued b/d	1,000
31/12/2007	Accrued c/d	<u>2,000</u>	31/12/2007	Income and expenditure	<u>6,000</u>
		<u>7,000</u>			<u>7,000</u>
		0	1/1/2008	Accrued b/d	2,000

(w2) DR		CANTEEN EXPENSES ACCOUNT			CR
DATE	DETAILS	SHS.	DATE	DETAILS	SHS.
31/12/2006	Prepaid b/d	1,000	31/12/2007	Income and expenditure	11,500
31/12/2007	Bank	<u>12,000</u>	31/12/2007	Prepaid c/d	<u>1,500</u>
		<u>13,000</u>			<u>13,000</u>
		0			0
1/1/2008	Prepaid b/d	1,500			

(w3) DR		BUILDING ACCOUNT			CR
DATE	DETAILS	SHS.	DATE	DETAILS	SHS.
31/12/2006	Balance b/d	15,000	31/12/2007	Balance c/d	30,000
31/12/2007	Bank	<u>15,000</u>			
		<u>30,000</u>			<u>30,000</u>
		0			0
1/1/2008	Balance b/d	30,000			

(w4) DR		FURNITURE ACCOUNT			CR
DATE	DETAILS	SHS.	DATE	DETAILS	SHS.
31/12/2006	Balance b/d	14,000	31/12/2007	Disposal	3,500
		-		Depreciation (W5)	1,050
		-		Balance c/d	9,450
		<u>14,000</u>			<u>14,000</u>
1/1/2008	Balance b/d	9,450			

(W5) Depreciation of furniture = (Cost – Scrapple value) × 10%

Depreciation of furniture = (14,000 – 3,500) × 10%

Depreciation of furniture = 1,050 Shs.

(W6)

CHILINDIMA SOCIAL

STATEMENT OF AFFAIRS AS AT 31/12/2007

DR			CR		
ASSET	SHS.	SHS.	CAPITAL AND LIABILITIES	SHS.	SHS.
Fixed Asset			Accumulated fund		53,800
Building	15,000				
Furniture	<u>14,000</u>		LIABILITIES		
		29,000	Oustanding salary	1,000	
Current Asset			Subscription in advance	<u>200</u>	
Subscription receivable	1,000				<u>1,200</u>
Prepaid canteen expenses	1,000				
Fixed deposit with bank	10,000				
Bank	12,000				
Cash	<u>2,000</u>				
		<u>26,000</u>			
		<u>55,000</u>			<u>55,000</u>
		<u>0</u>			<u>0</u>

QUESTION 6(A)

MACHINE

DR			CR		
DATE	DETAILS	SHS.	DATE	DETAILS	SHS.
1/1/year 1	Cash	<u>900,000</u>	31/12/year 1	Balance c/d	<u>900,000</u>
		<u>900,000</u>			<u>900,000</u>
		<u>0</u>			<u>0</u>
1/1/year 2	Balance b/d	<u>900,000</u>	31/12/year 2	Balance c/d	<u>900,000</u>
		<u>900,000</u>			<u>900,000</u>
		<u>0</u>			<u>0</u>
1/1/year 3	Balance b/d	<u>900,000</u>	31/12/year 3	Balance c/d	<u>900,000</u>
		<u>900,000</u>			<u>900,000</u>
		<u>0</u>			<u>0</u>
1/1/year 4	Balance b/d	<u>900,000</u>			

DR			PROVISION FOR DEPRECIATION ON MACHINE ACCOUNT			CR		
DATE	DETAILS	SHS.	DATE	DETAILS	SHS.	DATE	DETAILS	SHS.
31/12/year 1	Balance c/d	450,000	31/12/year 1	Profit and loss (W1)	450,000			
-	-	<u>450,000</u>	-	-	<u>450,000</u>			
31/12/year 2	Balance c/d	750,000	1/1/year 2	Balance b/d	450,000			
			31/12/year 2	Profit and loss (W1)	300,000			
-	-	<u>750,000</u>	-	-	<u>750,000</u>			
31/12/year 3	Balance c/d	900,000	1/1/year 3	Balance b/d	750,000			
			31/12/year 2	Profit and loss (W1)	150,000			
-	-	<u>900,000</u>	-	-	<u>900,000</u>			
			1/1/year 4	Balance b/d	900,000			

**(W1) Workings:**

Sum of years' digits = 3 + 2 + 1 = 6

$$\text{year 1} - \text{Depreciation} = \frac{3}{6} \times 900,000 = 450,000$$

$$\text{year 2} - \text{Depreciation} = \frac{2}{6} \times 900,000 = 300,000$$

$$\text{year 3} - \text{Depreciation} = \frac{1}{6} \times 900,000 = 150,000$$

**QUESTION 6(B)**

ANSWER

(b) Dr			Partners' Capital Account			Cr		
Details	Tenga	Natengile	Details	Tenga	Natengile	Details	Tenga	Natengile
Drawings	50,000	30,000	Balance b/d	400,000	300,000			
Interest on drawings	1,250	750	Interest on capitals (W1)	20,000	15,000			
Balance c/d	469,750	337,250	Salary	36,000				
			Commission	5,000	3,000			
			Share of profits	60,000	50,000			
	<u>521,000</u>	<u>368,000</u>		<u>521,000</u>	<u>368,000</u>			
			Balance b/d	469,750	337,250			

(W1) Workings: interest on capitals

$$\text{Tenga} = 400,000 \times 5\%$$

$$Tenga = 400,000 \times \left(\frac{5}{100}\right) = 20,000$$

$$Natengile = 300,000 \times 5\%$$

$$Natengile = 300,000 \times \left(\frac{5}{100}\right) = 15,000$$

## QUESTION 7

MOTHER TERESSA CHARITABLE ASSOCIATION  
DR      TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR  
ENDED 31.03.2003

DETAILS	SHS.	DETAILS	SHS.
Opening stock	19,800	Sales (W2)	180,500
Add: purchases (W1)	<u>157,500</u>		
Cost of goods available for sale	<b>177,300</b>		
Less: closing stock	<u>113,200</u>		
Cost of goods sold	<b>64,100</b>		
Gross profit c/d	<u>116,400</u>		
	<b>180,500</b>		<b>180,500</b>
		Gross profit b/d	116,400
<b>EXPENSES</b>		<b>ADD: OTHER INCOMES</b>	
Rent, rates and taxes	112,000	Appreciation (11,500 - 11,000)	500
Sundry expenses	18,000	Sundry income	<u>16,500</u>
Bad debts	1,200		
Net profit c/d	<u>2,200</u>		
	<b>133,400</b>		<b>133,400</b>
		Net profit b/d	2,200

### Workings (W1)

PURCHASES LEDGER CONTROL ACCOUNT					
DATE	DETAILS	SHS.	DATE	DETAILS	SHS.
01.04.02	Cash	144,000	31.03.02	Balance b/d (31,000 - 15,000)	16,000
					142,500
31.03.03	Balance c/d	<u>14,500</u>	31.03.02	Credit purchases	0
					<b>158,500</b>
-	-	<b>158,500</b>	-	-	<b>0</b>
			01.04.03	Balance b/d	14,500

Total purchases = cash purchases + credit purchases

Total purchases = 15,000 + 142,500 = 157,500

(W2)

DR SALES LEDGER CONTROL ACCOUNT CR

DATE	DETAILS	SHS.	DATE	DETAILS	SHS.
01.04.02	Balance b/d	118,000	31.03.02	Cash	160,800
31.03.03	Credit sales	<u>169,000</u>	31.03.02	Bad debt	1,200
			31.03.02	Balance c/d	<u>125,000</u>
-	-	<b>287,000</b>	-	-	<b>287,000</b>
01.04.02	Balance b/d	125,000			

Total sales = cash sales + credit sales

Total sales = 11,500 + 169,000 = 180,500

MOTHER TERESSA CHARITABLE ASSOCIATION

DR BALANCE SHEET AS AT 31.03.03 CR

ASSET	SHS.	CAPITAL AND LIABILITIES	SHS.
<b>Fixed Asset</b>		Capital (W3)	237,800
Premises	90,000	Add: Net profit	<u>2,200</u>
Furniture	11,500		240,000
Air conditions	<u>15,000</u>	Add: Additional capital	<u>12,000</u>
	<b>116,500</b>		252,000
<b>Current Asset</b>		Less: drawings	<u>30,000</u>
Stock	113,200	Net capital	222,000
Debtors	<u>125,000</u>		
		<b>LIABILITIES</b>	
		<b>Long-term Liabilities</b>	
		Loan from Mrs. Fernanders	23,000
		<b>Current Liabilities</b>	
		Creditors	14,500
		Cash overdraft (W4)	<u>95,200</u>
-	<b>354,700</b>	-	<b>354,700</b>

(W3)

MOTHER TERESSA CHARITABLE ASSOCIATION

DR STATEMENT OF AFFAIRS 31.03.02 CR

ASSET	SHS.	CAPITAL AND LIABILITIES	SHS.
<b>Fixed Asset</b>		Capital	237,800
Premises	90,000		-
Furniture	11,000	<b>LIABILITIES</b>	
Air conditions	<u>15,000</u>	Current Liabilities	
	<b>116,000</b>	Creditors	31,000
<b>Current Asset</b>			
Stock	19,800		
Debtors	118,000		
Cash	<u>15,000</u>		
-	<b>268,800</b>	-	<b>268,800</b>

W4



DR			CASH BOOK			CR	
DATE	DETAILS	SHS.	DATE	DETAILS	SHS.		
01.04.02	Balance b/d	15,000	2003	Payment to creditors	144,000		
2003	Collection from customers	160,800		Rent, rates and taxes	112,000		
	Sundry income	16,500		Sundry expenses	18,000		
	Loan from Mrs. Fernanders	23,000		Drawings by Mother T.	30,000		
	Capital introduced	12,000		Purchases	15,000		
	Sales	11,500		Air conditions	15,000		
	Balance c/d	<u>95,200</u>			-		
		<b><u>334,000</u></b>			<b><u>334,000</u></b>		
				Balance b/d	95,200		