

BOOK-KEEPING - FORM IV - 2012

Solutions

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

Salim S. Abdallah

NYAMIGOTA SEC. SCHOOL

sabsh540@gmail.com

QUESTION 1

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

QUESTION 2

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
E	H	M	L	K	I	D	A	J	B

QUESTION 3 (A)

- (i) Credit transactions refer to transactions involving purchase or sale of goods or services, and the payment for them is made in future.
- (ii) Supplementary appropriation refer to an additional budget authority provided for urgent activities before the next accounting period.
- (iii) Balance sheet is a statement which is prepared at the end of accounting period to show the assets, capital and liabilities of the business
- (iv) Subsidiary books refer to the books of prime entry which records transactions of similar character. Example, cash book, purchases day book, proper journal
- (v) Trial balance is a list of account titles that records debit balance and credit balance of the accounts.

QUESTION 3 (B)

Five stages of balancing off an account

- (i) Add up both sides to find out their totals
- (ii) Deduct the smaller total from larger total to find the balance
- (iii) Enter the obtained balanced on the smaller total side (balance c/d) to get equal totals on both sides
- (iv) Enter totals on both sides at the same level
- (v) Enter the balance b/d below the total lines on the opposite side of the balance c/d

QUESTION 4 (A)

DR			ELECTRICITY AND ADVERTISING ACCOUNT			CR
DATE	DETAILS	SH.	DATE	DETAILS	SH.	
1/1/2010	Prepaid b/d	19,000	1/1/2010	Accrued b/d	25,000	
31/12/2010	Cash	300,000	31/12/2010	Profit and loss	310,000	

31/12/2010	Accrued c/d	<u>40,000</u>	31/12/2010	Prepaid c/d	<u>24,000</u>
		359,000			359,000
1/1/2011	Prepaid c/d	24,000	1/1/2011	Accrued c/d	40,000

QUESTION 4 (B)

Book-keeping is the daily process of recording and keeping accurate information of financial transactions of a company.

The following are objectives of book-keeping

Determination of profit. Book-keeping help to keep complete, accurate and up to date financial records which could help to determine profit or loss of a business

Determine the credit worthiness of the company. Most business transactions are conducted on credit basis. The owner therefore has to maintain accounting or financial records. This will help him or her to know the amounts due from his debtors and those owing to his creditors.

For comparison reason. Maintaining proper accounting records of all assets and liabilities enables the owner to rate the performance of the business with other similar businesses.

Fare tax assessment. The income tax department requires the financial records of a company in order to determine its tax. As a result the financial records ought to be accurate to avoid overcharging or undercharging.

Ascertain the financial position of the company. Accurate financial information enables a business ascertain its financial position. This financial information will enable a business enter into agreements or partnerships with other businesses.

Seek for more capital. The financial information of a business is a tool to enable the business gets more capital. Creditors and other investors will use this information before deciding whether to invest in the company or not.

QUESTION 5

A(i) In the books of Peter

Dr			Joint Venture With Patel Account			Cr
Date	Details	Sh	Date	Details	Sh	
1/5/1999	Purchases	30,000	5/5/1999	Cash from Patel	10,000	
	Sundry expenses	560	20/5/1999	Sales	10,000	
15/5/1999	Storage expenses	500	30/5/1999	Unsold stock taken over by Peter	5,000	
20/5/1999	Selling expenses	100	31/5/1999	Balance c/d	11,930	
25/5/1999	Advertising expenses	700				

31/5/1999	Share of profit (W1):	5,070			
		36,930			36,930
1/6/1999	Balance b/d	11,930	1/6/1999	Cash from Patel	11,930

A(ii) In the books of Patel

Joint Venture With Peter Account					
Dr			Cr		
Date	Details	Sh	Date	Details	Sh
5/5/1999	Cash to Peter	10,000	10/5/1999	Sales	29,000
10/5/1999	Selling expenses	200			
15/5/1999	Storage expenses	1,500			
25/5/1999	Advertising expenses	300			
31/5/1999	Share of profit	5,070			
31/5/1999	Balance c/d	11,930			
-	-	29,000	-	-	29,000
1/6/1999	Cash to Peter		1/6/1999	Balance b/d	11,930

(b) Peter and Patel

Memorandum Joint Venture Account					
Dr			Cr		
Date	Details	Tsh.	Date	Details	Tsh.
1/5/1999	Purchases (Peter)	30,000	10/5/1999	Sales (Patel)	29,000
	Sundry expenses	560	20/5/1999	Sales (Peter)	10,000
10/5/1999	Selling expenses	200	30/5/1999	Unsold stock taken over by Peter	5,000
15/5/1999	Storage expenses (500 + 1,500)	2,000			
20/5/1999	Selling expenses	100			
25/5/1999	Advertising (700 + 300)	1,000			
31/5/1999	Share of profit (W1):				
	Peter 5,070				
	Patel 5,070				
		10,140			
-	-	44,000	-	-	44,000

(W1) Workings: Share of profit:

Profit = Incomes – Expenses

Profit = (29,000 + 10,000 + 5,000) – (30,000 + 560 + 200 + 2,000 + 100 + 1,000)

Profit = 44,000 – 33,860

Profit = 10,140

i) Peter = $10,140 \times \frac{1}{2} = 5,070/=$

ii) Patel = $10,140 \times \frac{1}{2} = 5,070/=$

QUESTION 6

NOISE SPORTS CLUB

DR INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR
ENDED 31/12/2007

CR

EXPENDIYURE	SHS.	INCOME	SHS.
Sale of old sports kit (1,500 - 1,000)	500	Subscription (W1)	22,800
Salaries (6,200 - 700)	5,500	Donations	2,100
Travelling	7,800	Gate collection	6,500
Stationery and postage	600	Deficit	<u>2,000</u>
Electricity and telephone	500		
Refreshment bill (5,200 + 400)	5,600		
Purchase of new sport kit (W2)	4,500		
Depreciation of uniforms	3,500		-
Repairs to sports kit	700		
Maintenance of sports ground	3,400		
Depreciation of furniture	300		
Depreciation of sports ground (W3)	500		
-	<u>33,400</u>	-	<u>33,400</u>

NOISE SPORTS CLUB

DR BALANCE SHEET AS AT 31/12/2007

CR

ASSET	SHS	SHS.	CAPITAL AND LIABILITIES	SHS.	SHS.
Fixed Asset			Capital	50,000	
Sports ground 25,000			Less: deficit	<u>2,000</u>	
Less: depreciation 500	24,500		New capital		48,000
Furniture 1,300	-				
Less: depreciation 300	1,000				
Sports kit	10,000		LIABILITIES		
Uniforms	<u>6,800</u>		Refreshment bill owing		<u>400</u>
		42,300			
Current Asset				-	
Accrued subscription		300			-
Cash		<u>5,800</u>			

		<u>48,40</u> 0			<u>48,40</u> 0
--	--	-------------------	--	--	-------------------

Workings:

(W1)

DR			SUBSCRIPTION ACCOUNT			CR	
DATE	DETAILS	SHS.	DATE	DETAILS	SHS.		
31/12/2006	Accrued b/d	500	31/12/2007	Bank	23,000		
31/12/2007	Income and expenditure	22,800	31/12/2007	Accrued c/d	300		
		<u>23,300</u> 0					<u>23,300</u>
1/1/2008	Accrued b/d	300					

(w2) DR			SPORTS KIT ACCOUNT			CR	
DATE	DETAILS	SHS.	DATE	DETAILS	SHS.		
31/12/2006	Balance b/d	12,000	31/12/2007	Disposal	1,500		
31/12/2007	Bank	4,000	31/12/2007	Income and expenditure	4,500		
		-	31/12/2007	Balance c/d	10,000		
		<u>16,000</u> 0					<u>16,000</u>
1/1/2008	Prepaid b/d	10,000					

(W3) Depreciation of sports ground = $50,000 \div 100 = 500$

(w4) DR			UNIFORMS ACCOUNT			CR	
DATE	DETAILS	SHS.	DATE	DETAILS	SHS.		
31/12/2006	Balance b/d	6,500	31/12/2007	Depreciation	3,500		
31/12/2007	Bank	3,800		Balance c/d	6,800		
-	-	<u>10,300</u>	-	-	<u>10,300</u>		
1/1/2008	Balance b/d	6,800					

QUESTION 7(A)

JOURNAL ENTRIES

NO.	DETAILS	DR (SHS.)	CR (SHS.)
(i)	Sales	30,000.00	

	Suspense Being amount of sales over casted now rectified		30,000
(ii)	Suspense Returns outwards Being amount from returns outwards account not credited now rectified	122,640.00	122,640.00
(iii)	Suspense Debtors Being a payment by a debtor not entered in the debtors account now rectified	300,000.00	300,000.00
(iv)	Purchases Suspense Being amount of purchases account recorded in cashbook only now rectified	4,640.00	4,640.00
(v)	Suspense Debtor Being amount received from a debtor had been debited now rectified	88,000.00	88,000.00

DR		SUSPENSE ACCOUNT		CR	
DETAILS	SHS.	DETAILS	SHS.		
Returns outwards	122,640	Balance b/d	476,000		
Debtor	<u>300,000</u>	Sales	<u>30,000</u>		
Debtor	88,000	Purchases	4,640		
	<u>510,640</u>		<u>510,640</u>		

STATEMENT OF CORRECTED NET LOSS

DETAILS	SHS.	SHS.
Net loss before correction		(500,000)
Add: other incomes		
Returns outwards		<u>122,640</u>
		(377,360)
Less: Expenses		
Sales	30,000	
Purchases	<u>4,640</u>	<u>34,640</u>
Corrected net loss		<u>(412,000)</u>

QUESTION 7(B)

DR			PLANT ACCOUNT			CR	
DATE	DETAILS	SHS.	DATE	DETAILS	SHS.		
1/1/2004	Cash (plant 1)	260,000	31/12/2004	Balance c/d	470,000		
1/10/2004	Cash (plant 2)	<u>210,000</u>					
-	-	470,000	-	-	470,000		
1/1/2005	Balance b/d	470,000	31/12/2004	Balance c/d	470,000		
-	-	470,000	-	-	470,000		
1/1/2006	Balance b/d	470,000	31/12/2006	Balance c/d	750,000		
1/9/2006	Cash (plant 3)	<u>280,000</u>					
-	-	750,000	-	-	750,000		
1/1/2007	Balance b/d	750,000	31/8/2007	Disposal (plant 1)	260,000		
			31/12/2007	Balance c/d	<u>490,000</u>		
-	-	750,000	-	-	750,000		
1/1/2008	Balance b/d	490,000					

DR			PROVISION FOR DEPRECIATION ON PLANT ACCOUNT			CR	
DATE	DETAILS	SHS.	DATE	DETAILS	SHS.		
31/12/2004	Balance c/d	<u>78,125</u>	31/12/2004	Profit and loss (W1)	<u>78,125</u>		
		78,125			78,125		
31/12/2005	Balance c/d	195,625	1/1/2005	Balance b/d	78,125		
			31/12/2005	Profit and loss (W1)	<u>117,500</u>		
-	-	195,625	-	-	195,625		
31/12/2006	Balance c/d	336,458	1/1/2006	Balance b/d	195,625		
			31/12/2006	Profit and loss (W1)	<u>140,833</u>		
-	-	336,458	-	-	336,458		
31/8/2007	Disposal (plant 1)	238,333	1/1/2007	Balance b/d	336,458		
31/12/2007	Balance c/d	<u>263,958</u>	31/12/2006	Profit and loss (W1)	<u>165,833</u>		
-	-	502,291	-	-	502,291		
			1/1/2008	Balance b/d	263,958		

DR			DISPOSAL OF PLANT ACCOUNT			CR	
DATE	DETAILS	SHS.	DATE	DETAILS	SHS.		
31/8/2007	plant 1)	260,000	31/8/2007	Provision for depreciation	238,333		
31/12/2007	Profit and loss (profit)	<u>59,333</u>	31/8/2007	Cash	<u>81,000</u>		
-	-	319,333	-	-	319,333		

(W1) Workings for depreciation charges on plant
Time apportioning policy

Straight line method

1/1/2004	Plant 1→	$260,000 \times 25\% =$	
		$260,000 \times 25/100 =$	65,000
1/10/2004	Plant 2→	$(210,000 \times 25\%) \times 3/12 =$	
		$(210,000 \times 25/100) \times 3/12 =$	13,125
1/1/2005	Plant 1→	$260,000 \times 25\% =$	
		$260,000 \times 25/100 =$	65,000
1/1/2005	Plant 2→	$210,000 \times 25\% =$	
		$210,000 \times 25/100 =$	52,500
1/1/2006	Plant 1→	$260,000 \times 25\% =$	
		$260,000 \times 25/100 =$	65,000
1/1/2006	Plant 2→	$210,000 \times 25\% =$	
		$210,000 \times 25/100 =$	52,500
1/9/2006	Plant 3→	$(280,000 \times 25\%) \times 4/12 =$	
		$(280,000 \times 25/100) \times 4/12 =$	23,333
31/8/2007	Plant 1	Disposal	
		$(260,000 \times 25\%) \times 8/12 =$	
		$(260,000 \times 25/100) \times 8/12 =$	43,333
1/1/2007	Plant 2→	$210,000 \times 25\% =$	
		$210,000 \times 25/100 =$	52,500
1/1/2007	Plant 3→	$280,000 \times 25\% =$	
		$280,000 \times 25/100 =$	70,000

Depreciation table

YEAR	PLANT 1	PLANT 2	PLANT 3	PROFIT AND LOSS
2004	65,000	13,125	-	78,125
2005	65,000	52,500	-	117,500
2006	65,000	52,500	23,333	140,833
2007	43,333	52,500	70,000	165,833
TOTAL	238,333	170,625	93,333	502,291