

BOOK-KEEPING - FORM IV - 2013

Solutions

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

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QUESTION 1

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

QUESTION 2

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
O	M	K	H	F	D	B	I	G	E

QUESTION 3(A)

The following are differences between reserve and provision

- (i) **Mode of creation.** Reserve is created against the charge of the profit and loss appropriation account while provision is created against the charge of the profit and loss account
- (ii) **Objective.** The main objective of reserve is to strengthen the financial position and to meet future unknown losses and liabilities while objective of provision is to meet known losses and liabilities
- (iii) **Accounting treatment.** Reserve is shown on the debit side of profit and loss appropriation account and liabilities side of the balance sheet while provision is shown on the debit side of profit and loss account and asset side of balance sheet as deducted from the concerned asset
- (iv) **Relation with profit.** Reserve is created when there is enough profit in the business while provision is created even if there is loss in the business
- (v) **Distribution.** Reserve can be distributed to shareholders as dividend while provisions cannot be distributed as dividend to shareholders
- (vi) **Future requirement.** Reserve is created by considering the future requirement of the business while provision is not created by considering the next coming requirements of the business
- (vii) **Impact.** The impact of reserve will be on the financial position of the business while the impact of provision will be on the profit or loss of the business firm. `

QUESTION 3(B)

Cashbook is an account that records receipt and payment done by cash.

The following are purposes of cashbook

- (i) It shows daily cash transactions
- (ii) It help to minimize cash frauds
- (iii) It prevent duplication of recording transactions

QUESTION 4(A)

$$\text{Commission on sales}_1 = 1,000,000 \times \frac{2}{100} = 20,000$$

$$\text{Commission on sales}_2 = 2,000,000 \times \frac{5}{100} = 100,000$$

$$\text{Sales balance} = 6,000,000 - 3,000,000 = 3,000,000$$

$$\text{Commission on sales balance} = 3,000,000 \times \frac{10}{100} = 300,000$$

$$\text{Majuto's total income} = 150,000 + 20,000 + 100,000 + 300,000$$

$$\text{Majuto's total income} = \text{shs. } 570,000/=$$

QUESTION 4(B)

MAJANI MAPANA

DR TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31/7/2012 CR

DETAILS	SH.	DETAILS	SH.
Opening stock	36,000	Sales	300,000
Add: purchases	<u>130,000</u>		
Cost of goods available for sale	166,000		
Less: closing stock	<u>25,000</u>		
Cost of goods sold	141,000		
Gross profit c/d	<u>159,000</u>		
	<u>300,000</u>		<u>300,000</u>
		Gross profit b/d	159,000
ADD: EXPENSES		ADD: INCOMES	
Total expenses	20,000		
Net profit c/d	<u>139,000</u>		
	<u>159,000</u>		<u>159,000</u>
		Net profit b/d	139,000

$$(i) \text{Margin} = \frac{\text{Gross profit}}{\text{Sales}} \times 100\%$$

$$\text{Margin} = \frac{159,000}{300,000} \times 100\% = 53\%$$

$$(ii) \text{Mark - up} = \frac{\text{Gross profit}}{\text{Cost of goods sold}} \times 100\%$$

$$\text{Mark - up} = \frac{159,000}{141,000} \times 100\% = 112.77\%$$

$$(iii) \text{Return on capital} = \frac{\text{Net profit}}{\text{Capital employed}} \times 100\%$$

Note: Capital employed = Assets – liabilities

$$\text{Capital employed} = (200,000 + 90,000) - 74,000 = 216,000$$

$$\text{Return on capital} = \frac{139,000}{216,000} \times 100\% = 64.35\%$$

$$(iv) \text{Working capital ratio} = \frac{\text{Total current assets}}{\text{Total current liabilities}}$$

$$\text{Working capital ratio} = \frac{90,000}{74,000} = 45:37 = 1:22$$

$$(v) \text{Rate of stock turnover} = \frac{\text{Cost of goods sold}}{\text{Average stock}}$$

$$\text{Rate of stock turnover} = \frac{141,000}{(36,000 + 25,000) \div 2} = 4.62 \text{ times}$$

QUESTION 4(C)

NO.	ACCOUNT TO BE DEBITED	ACCOUNT TO BE CREDITED
(i)	Wages A/C	Bank A/C
(ii)	Electricity A/C	Cash A/C
(iii)	Office furniture A/C	Creditors A/C
(iv)	Cash A/C	Sales A/C
(v)	Cash A/C	Bank A/C

QUESTION 5

J. KAZIMOTO

DEPARTMENTAL INCOME STATEMENT FOR THE YEAR ENDING 31/08/2010

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DETAILS	DEPARTMENT A		DEPARTMENT B	
	SH.	SH.	SH.	SH.
Sales		750,000		500,000
Less: Cost of goods sold				
Opening stock	12,500		10,000	
Add: purchases	<u>510,000</u>		<u>380,200</u>	
	522,500		390,200	
Less: closing stock	<u>14,100</u>		<u>9,120</u>	
Cost of goods sold		<u>508,400</u>		<u>381,080</u>
Gross profit		241,600		118,920
LESS: EXPENSES				
Wages	72,000		68,000	
Picture framing costs	3,000			
General office salaries (W1)	79,200		52,800	
Fire insurance (W2)	1,440		2,160	
Lighting and heating (W3)	2,480		3,720	
Repairs to premises (W4)	700		1,050	
Internal telephone (W5)	120		180	
Cleaning (W6)	720		1,080	
Accountancy charges (W7)	8,940		5,960	
General office expenses (W8)	3,060		2,040	
Rent and rates (W9)	3,420		2,280	
Administration expenses (W10)	9,000		6,000	
Air conditioning (W11)	<u>2,400</u>		<u>3,600</u>	
Total expenses		<u>186,480</u>		<u>148,870</u>
Net profit/ (loss)		55,120		(29,950)

Workings:

(W1) General office salaries = 132,000 According to turnover (sales 750,000 + 500,000 = 1,250,000)

$$\text{Dept A} = \frac{750,000}{1,250,000} \times 132,000 = 79,200$$

$$\text{Dept B} = \frac{500,000}{1,250,000} \times 132,000 = 52,800$$

(W2) Fire insurance = 36,000

$$\text{Dept A} = \frac{2}{5} \times 36,000 = 1,440$$

$$\text{Dept B} = \frac{3}{5} \times 36,000 = 2,160$$

(W3) Lighting and heating = 6,200

$$\text{Dept A} = \frac{2}{5} \times 6,200 = 2,480$$

$$\text{Dept B} = \frac{3}{5} \times 6,200 = 3,720$$

(W4) Repair to premises = 1,750

$$\text{Dept A} = \frac{2}{5} \times 1,750 = 700$$

$$\text{Dept B} = \frac{3}{5} \times 1,750 = 1,050$$

(W5) Internal telephone = 300

$$\text{Dept A} = \frac{2}{5} \times 300 = 120$$

$$\text{Dept B} = \frac{3}{5} \times 300 = 180$$

(W6) Cleaning = 1,800

$$\text{Dept A} = \frac{2}{5} \times 1,800 = 720$$

$$\text{Dept B} = \frac{3}{5} \times 1,800 = 1,080$$

(W7) Accountancy charges = 14,900

$$\text{Dept A} = \frac{750,000}{1,250,000} \times 14,900 = 8,940$$

$$\text{Dept B} = \frac{500,000}{1,250,000} \times 14,900 = 5,960$$

(W8) General office expenses = 5,100

$$\text{Dept A} = \frac{750,000}{1,250,000} \times 5,100 = 3,060$$

$$\text{Dept B} = \frac{500,000}{1,250,000} \times 5,100 = 2,040$$

(W9) Rent and rates = 5,700

$$\text{Dept A} = \frac{750,000}{1,250,000} \times 5,700 = 3,420$$

$$\text{Dept B} = \frac{500,000}{1,250,000} \times 5,700 = 2,280$$

(W10) Administration expenses = 15,000 apportioned by turnover

$$\text{Dept A} = \frac{750,000}{1,250,000} \times 15,000 = 9,000$$

$$\text{Dept B} = \frac{500,000}{1,250,000} \times 15,000 = 6,000$$

(W11) Air conditioning = 6,000

$$\text{Dept A} = \frac{2}{5} \times 6,000 = 2,400$$

$$\text{Dept B} = \frac{3}{5} \times 5,100 = 3,600$$

QUESTION 6

HERI MAJALIWA					
CASHBOOK					
DR					CR
1-Mar	Balance b/d	10,000	6-Mar	Wages	3,900
8-Mar	Sales	15,200	11-Mar	Sundry expenses	7,300
23-Mar	Bank	4,500	24-Mar	Wages	3,900
26-Mar	Sales	9,400	31-Mar	Bank	9,000
			31-Mar	Balance c/d	<u>15,000</u>
		<u>39,100</u>			<u>39,100</u>
1-Apr	Balance b/d	15,000			

HERI MAJALIWA					
BANK ACCOUNT					
DR					CR
1-Mar	Balance b/d	567,200	14-Mar	Purchases	80,000
4-Mar	W. Wanguvu	124,600	18-Mar	J. Samaki	18,500
10-Mar	G. Dasuna	31,500	23-Mar	Cash	4,500
31-Mar	Cash	9,000	28-Mar	Salaries	23,000
			31-Mar	Balance c/d	<u>606,300</u>
		<u>732,300</u>			<u>732,300</u>
1-Apr	Balance b/d	606,300			

DISCOUNT ALLOWED ACCOUNT					
DR					CR
10 Maarch	Debtors	<u>2,900</u>	31-Mar	Balance c/d	<u>2,900</u>
		<u>2,900</u>			<u>2,900</u>
1-Apr	Balance b/d	2,900			

DISCOUNT RECEIVED ACCOUNT					
DR					CR
31-Mar	Balance c/d	<u>1,600</u>	18-Mar	Creditors	<u>1,600</u>
		<u>1,600</u>			<u>1,600</u>
			1-Apr	Balance b/d	1,600

SALES A/C					
DR					CR
31-Mar	Balance c/d	24,600	8-Mar	Cash	15,200
			26-Mar	Cash	<u>9,400</u>
		<u>24,600</u>			<u>24,600</u>
			1-Apr	Balance b/d	24,600

DR			WAGES A/C		CR
6-Mar	Cash	3,900	31-Mar	Balance c/d	7,800
24-Mar	Cash	<u>3,900</u>			
		<u>7,800</u>			<u>7,800</u>
1-Apr	Balance b/d	7,800			

DR			SUNDRY EXPENSES A/C		CR
11-Mar	C ash	<u>7,300</u>	31-Mar	Balance c/d	<u>7,300</u>
		<u>7,300</u>			<u>7,300</u>
1-Apr	Balance b/d	7,300			

DR			W. WANGUVU A/C		CR
31-Mar	Balance c/d	<u>124,600</u>	4-Mar	Bank	<u>124,600</u>
		<u>124,600</u>			<u>124,600</u>
			1-Apr	Balance b/d	124,600

DR			G. DASUNA A/C		CR
31-Mar	Balance c/d	<u>31,500</u>	10-Mar	Bank	<u>31,500</u>
		<u>31,500</u>			<u>31,500</u>
			1-Apr	Balance b/d	31,500

DR			PURCHASES A/C		CR
14-Mar	Bank	<u>80,000</u>	31-Mar	Balance c/d	<u>80,000</u>
		<u>80,000</u>			<u>80,000</u>
1-Apr	Balance b/d	80,000			

DR			J. SAMAKI A/C		CR
18-Mar	Bank	<u>18,500</u>	31-Mar	Balance c/d	<u>18,500</u>
		<u>18,500</u>			<u>18,500</u>
1-Apr	Balance b/d	18,500			

DR			SALARIES A/C		CR
28-Mar	Bank	<u>23,000</u>	31-Mar	Balance c/d	<u>23,000</u>
		<u>23,000</u>			<u>23,000</u>
1-Apr	Balance b/d	23,000			

DR			DEBTORS A/C		CR
		<u>2,900</u>			
31-Mar	Balance c/d	0	10 Maarch	Discount allowed	<u>2,900</u>

2,900
0

1-Apr

Balance b/d

2,900
2,900

DR		CREDITORS A/C		CR
18-Mar	Discount received	<u>1,600</u>	31-Mar	Balance c/d
		<u>1,600</u>		<u>1,600</u>
1-Apr	Balance b/d	1,600		

QUESTION 7(A)

JOURNAL ENTRIES

NO.	DETAILS	DR (SHS.)	CR (SHS.)
(i)	Sales	150,000	
	Furniture		150,000
	Being error of principle now rectified		
(ii)	Rent	34,000	
	Landlord		34,000
	Being error of principle now rectified		
(iii)	Suspense	18,000	
	Makala		18,000
	Being amount from Makala under casted now rectified		
(iv)	Sales	100,000	
	Suspense		100,000
	Being sales daybook over casted now rectified		
(v)	Purchases	30,000	
	Suspense		30,000
	Being amount of purchases book under casted now rectified		
(vi)	Suspense	155,000	
	Returns outwards		155,000
	Being returns outwards book not recorded now rectified		
(vii)	Drawings	15,000	
	Purchases		15,000
	Being drawings of goods by proprietor not recorded in the books of account now rectified		

QUESTION 7(B)

DR	TOTAL DEBTORS ACCOUNT	CR
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DATE	DETAILS	SH.	DATE	DETAILS	SH.
1.1.2011	Balance b/d	527,000		Cash received from customers	1,354,000
	Bills receivable dishonoured	11,000		Discount allowed to customers	42,000
	Bad debts recovered	10,000		Returns from customers	16,250
	Credit sales	1,588,650		Bad debts recovered set off	10,000
				Bad debts written off	35,400
				Bills receivable	123,000
			31.12.2011	Balance c/d	556,000
		2,136,650			2,136,650

DR TOTAL CREDITORS ACCOUNT CR

DATE	DETAILS	SH.	DATE	DETAILS	SH.
	Cash paid to creditors	702,500	1.1.2011	Balance b/d	264,000
	Discount received	26,500		Credit purchases	762,300
	Returns out	13,300			
31.12.2011	Balance c/d	<u>284,000</u>			
		1,026,300			1,026,300

DR BILLS RECEIVABLE A/C CR

DATE	DETAILS	SH.	DATE	DETAILS	SH.
1.1.2011	Balance b/d	40,000		Bills receivable dishonoured	11,000
	Debtors (163,000 - 40,000)	123,000		Cash	142,000
				Balance c/d	<u>10,000</u>
		163,000			163,000