

BOOK-KEEPING - FORM IV - 2014

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 | B | E | D | A | B | C | E | E |

QUESTION 2

| | | | | | | | | | |
|-----|------|-------|------|-----|------|-------|--------|------|-----|
| (i) | (ii) | (iii) | (iv) | (v) | (vi) | (vii) | (viii) | (ix) | (x) |
| G | E | I | F | C | A | N | D | J | B |

QUESTION 3(A)

Differences between Receipts and Payments and Income and Expenditure Accounts

Nature: Receipts and Payments Account is a summary of cash transactions for a period and it is a real account. Income and expenditure account is a summary of expenditure and income like trading, profit and loss account and it is a nominal account.

Objective: receipt and payments account is prepared to show cash balance and bank balance while income and expenditure account is prepared to show surplus or deficit.

Recording: all receipts are recorded on the debit side of receipts and payments account whereas all payments are recorded on the credit side while in the income and expenditure account all expenditures are recorded on the debit side and all incomes are recorded on the credit side.

Contents: receipt and payments account contains only cash and bank transactions while income and expenditure account contains both cash and non-cash expenses and incomes of revenue nature.

Adjustments: no adjustments are required in receipt and payments account while in income and expenditure account adjustments are made because it is prepared on accrual basis.

QUESTION 3(B)

Importance of balance sheet

- i. It help to know financial position of the business. i.e. profit or loss
- ii. It help banks to provide loans to the business
- iii. It help investors to invest
- iv. It shows assets, capital and liabilities of the business
- v. It is used to detect errors and frauds of the business
- vi. It help to prepare profit ratio, liquidity ratio

QUESTION 4(A)

RENT RECEIVED

| DATE | DETAILS | SH. | SH. |
|------|-------------|---------|-----|
| 2001 | Prepaid b/d | 400,000 | |

| | | | |
|--------------|-----------------|----------------|-----------------|
| | | 1,600,00 | |
| 31/12/2002 | Cash | 0 | |
| 31/12/2002 | Accrued c/d | <u>110,000</u> | |
| | | | 2,110,00 |
| | | | 0 |
| Less: | | | |
| 37257 | Accrued b/d | 180,000 | |
| 31/12/2002 | Prepaid c/d | <u>30,000</u> | |
| | | | <u>210,000</u> |
| | | | <u>1,900,00</u> |
| | Profit and loss | | <u>0</u> |

QUESTION 4(B)

A bill of exchange is a document sent by creditor to debtor requiring debtor to pay the debt

Essentials of a bill of exchange

It must be:

- (i) Signed by the drawer
- (ii) Accepted by drawee
- (iii) Unconditional
- (iv) It must have revenue stamps

QUESTION 4(C)

Disadvantages of Accounting for Incomplete Records

1. Lack of arithmetical accuracy, i.e. Trial balance will yield incorrect figures
2. It does not reflect true financial position, i.e. difficult to ascertain the true value of assets
3. Incomplete system because it does not record double entries
4. It does not obey the law of principles of double entry system
5. Frauds and errors because it is incomplete
6. Unacceptable for tax purposes because it has incomplete records

QUESTION 5

M/S MAJUTO

DR TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31/3/2011 CR

| DETAILS | SH. | SH. | DETAILS | SH. |
|----------------------------------|--------------|----------------|------------------|----------------|
| Opening stock | | 124,600 | Sales | 806,500 |
| Add: purchases | 453,800 | | Less: returns in | <u>5,100</u> |
| Less: returns out | 9,300 | | Net sales | 801,400 |
| goods taken | <u>3,700</u> | | | |
| Net purchases | | <u>440,800</u> | | |
| | | 0 | | |
| Cost of goods available for sale | | 565,400 | | |
| | | 0 | | |
| Less: closing stock | | <u>201,000</u> | | |
| | | 0 | | |

| | | | | |
|---------------------------------|--------------|----------------|---------------------------------|----------------|
| Cost of goods sold | | 364,400 | | |
| Gross profit c/d | | <u>437,000</u> | | |
| | | 801,400 | | |
| | | 0 | | 801,400 |
| | | | Gross profit b/d | 437,000 |
| | | | | |
| ADD: EXPENSES | | | ADD: OTHER INCOMES | |
| Discount allowed | 11,200 | | Gross profit b/d | 437,000 |
| Depreciation on: | | | Discount received | 3,900 |
| Motor van | 20,000 | | Provision for doubtful debt(W3) | <u>680</u> |
| Office equipment (96,000 × 15%) | 14,400 | | Total incomes | 441,580 |
| Salaries and wages (W1) | 181,100 | | | |
| Motor van running expenses | 39,100 | | | |
| Sundry expenses | 11,400 | | | |
| Rent and rates (W2) | 24,100 | | | |
| Bad debt (3,750 + 2,700) | <u>6,450</u> | | | |
| Total expenses | | 307,750 | | |
| Net profit c/d | | <u>133,830</u> | | |
| | | 441,580 | | |
| | | 0 | | 441,580 |
| | | | Net profit b/d | 133,830 |

M/S MAJUTO
BALANCE SHEET AS AT 32/ 3/ 2011

| DR | | | | CR | | |
|--------------------------------------|---------------|---------------|---------|---------------------------------|----------------|---------|
| ASSETS | TSH. | TSH. | TSH. | CAPITAL AND LIABILITIES | TSH. | TSH. |
| Fixed Asset | | | | CAPITAL | 384,450 | |
| Motor van | 125,000 | | | Add: net profit | <u>133,830</u> | |
| Less: provision for depreciation(W4) | <u>58,000</u> | | | | 518,280 | |
| | | 67,000 | | Less: drawings(70,000 + 3,700) | <u>73,700</u> | |
| Office equipment | 96,000 | | | Net capital | | 444,580 |
| Less: provision for depreciation(W5) | 35,900 | | | | | |
| | | <u>60,100</u> | | Liabilities | | |
| Total fixed assets | | | 127,100 | Current Liabilities | | |
| | | | | Creditors | 91,000 | |
| Current Assets | | | | Salaries and wages accrued (W1) | <u>4,900</u> | |
| Stock | | 201,000 | | Total current assets | | 95,900 |

| | | | | | | |
|-----------------------------------|--------------|------------|----------------|--|--|----------------|
| Debtors (128,700 - 2,700) | 126,000 | | | | | |
| Less: provision for bad debt (W3) | <u>2,520</u> | | | | | |
| | | 123,480 | | | | |
| Rent and rates prepaid (W2) | | 7,900 | | | | |
| Bank | | 80,400 | | | | |
| Cash | | <u>600</u> | | | | |
| Total current assets | | | <u>413,380</u> | | | |
| | | | <u>540,480</u> | | | <u>540,480</u> |

(W1

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| SALARIES AND WAGES ACCOUNT | | | | | |
|----------------------------|-------------|----------------|-----------|-----------------|----------------|
| DR | | | CR | | |
| DATE | DETAILS | SH. | DATE | DETAILS | SH. |
| 31/3/2011 | Cash | 176,200 | 31/3/2011 | Profit and loss | 181,100 |
| 31/3/2011 | Accrued c/d | <u>4,900</u> | | | |
| | | <u>181,100</u> | | | <u>181,100</u> |
| | | | 1/4/2011 | Accrued b/d | 4,900 |

(w2

)

| RENT AND RATES | | | | | |
|----------------|-------------|---------------|-----------|-----------------|---------------|
| DR | | | CR | | |
| DATE | DETAILS | SH. | DATE | DETAILS | SH. |
| 31/3/2011 | Cash | 32,000 | 31/3/2011 | Profit and loss | 24,100 |
| | | | 31/3/2011 | Prepaid c/d | <u>7,900</u> |
| | | <u>32,000</u> | | | <u>32,000</u> |
| 1/4/2011 | Prepaid b/d | 7,900 | | | |

(W3

)

| PROVISION FOR DOUBTFUL DEBT ACCOUNT | | | | | |
|-------------------------------------|------------------------------------|--------------|-----------|-------------|--------------|
| DR | | | CR | | |
| DATE | DETAILS | SH. | DATE | DETAILS | SH. |
| 31/3/2011 | Profit and loss | 680 | 31/3/2011 | Balance b/d | 3,200 |
| 31/3/2011 | Balance c/d (128,700 - 2,700) × 2% | <u>2,520</u> | | | |
| | | <u>3,200</u> | | | <u>3,200</u> |
| | | | 1/4/2011 | Balance b/d | 2,520 |

(W4) PROVISION FOR DEPRECIATION ON MOTOR VAN
) DR ACCOUNT CR

| DATE | DETAILS | SH. | DATE | DETAILS | SH. |
|-----------|-------------|---------------|-----------|-----------------|---------------|
| 31/3/2011 | Balance c/d | 58,000 | 31/3/2011 | Balance b/d | 38,000 |
| | | | 31/3/2011 | Profit and loss | <u>20,000</u> |
| | | 58,000 | | | 58,000 |
| | | | 1/4/2011 | Balance b/d | 58,000 |

(W5) PROVISION FOR DEPRECIATION ON OFFICE
) DR EQUIPMENT ACCOUNT CR

| DATE | DETAILS | SH. | DATE | DETAILS | SH. |
|-----------|-------------|---------------|-----------|-------------------------------|---------------|
| 31/3/2011 | Balance c/d | 35,900 | 31/3/2011 | Balance b/d | 21,500 |
| | | | | profit and loss(96,000 × 15%) | <u>14,400</u> |
| | | 35,900 | | | 35,900 |
| | | | 1/4/2011 | Balance b/d | 35,900 |

QUESTION 6(A)

BUSHIRI

DR STATEMENT OF AFFAIRS AS AT 31. 12. 2010 CR

| ASETS | | TSH. | CAPITAL AND LIABILITIES | TSH. |
|-----------------------|---------------|----------------|----------------------------|----------------|
| Fixed Assets | | | Capital | 358,000 |
| Equipment | 50,000 | | | |
| Furniture | <u>40,000</u> | | | |
| | | 90,000 | | |
| Current Assets | | | | |
| | 400,000 | | LIABILITIES | |
| Stock | | | Current Liabilities | |
| Debtors | 120,000 | | | |
| Bank | 45,000 | | Creditors | 300,000 |
| Cash | <u>3,000</u> | | | |
| | | <u>568,000</u> | | |
| | | 658,000 | | 658,000 |

BUSHIRI

DR STATEMENT OF AFFAIRS AS AT 31. 12. 2011

CR

| ASETS | | TSH. | CAPITAL AND LIABILITIES | TSH. |
|--------------------------|---------------|----------------|----------------------------|----------------|
| Fixed Assets | | | Capital | 603,500 |
| Equipment | 50,000 | | | |
| Less: depreciation(5%) | <u>2,500</u> | 47,500 | | |
| Furniture | 40,000 | | | |
| Less: depreciation (10%) | <u>4,000</u> | 36,000 | | |
| | | 83,500 | | - |
| Current Assets | | | | - |
| Stock | 450,000 | | LIABILITIES | |
| Debtors | 200,000 | | Current Liabilities | |
| Bank | 30,000 | | Creditors | <u>200,000</u> |
| Cash | <u>40,000</u> | <u>720,000</u> | | |
| - | - | 803,500 | - | 803,500 |

STATEMENT FOR PROFIT OR LOSS FOR THE YEAR
ENDED 31. 12. 2011

| DETAILS | TSH. | TSH. |
|----------------------------------|---------------|----------------|
| Capital at close | 603,500 | |
| Add: Drawings | <u>40,000</u> | |
| | | 643,500 |
| Less: Capital at start | 358,000 | |
| Add: Additional capital (legacy) | <u>60000</u> | |
| | | <u>418,000</u> |
| Net profit | - | 225,500 |

QUESTION 6(B)

MAJIMATITU MEDICAL AID SOCIETY

DR RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31/12/2011

CR

| RECEIPTS | SHS. | PAYMENTS | SHS. |
|-------------------------------------|----------------|-----------------------|---------------|
| Cash balance b/d | 80,000 | Medicine supply | 300,000 |
| Subscriptions | 500,000 | Honorarium to Doctors | 100,000 |
| Donation | 150,000 | Salaries | 280,000 |
| Interest on investment 9% per annum | 90,000 | Sundry expenses | 10,000 |
| Charity shows collections | <u>125,000</u> | Equipment | 150,000 |
| | | Charity show expenses | 15,000 |
| | | Balance c/d | <u>90,000</u> |

| | | | |
|-------------|-----------------------|---|-----------------------|
| - | <u>945,000</u> | - | <u>945,000</u> |
| Balance b/d | 90,000 | | |

| DR | | | SUBSCRIPTION ACCOUNT | | | CR | |
|------------|------------------------|-----------------------|----------------------|-------------|-----------------------|----|--|
| DATE | DETAILS | SHS. | DATE | DETAILS | SHS. | | |
| 1/1/2011 | Accrued b/d | 15,000 | 1/1/2011 | Prepaid b/d | 12,000 | | |
| 31/12/2011 | Income and expenditure | 512,000 | 31/12/2011 | Bank | 500,000 | | |
| 31/12/2011 | Prepaid c/d | <u>7,000</u> | 31/12/2011 | Accrued c/d | <u>22,000</u> | | |
| - | - | <u>534,000</u> | - | - | <u>534,000</u> | | |
| 1/1/2012 | Accrued b/d | 22,000 | 1/1/2012 | Prepaid b/d | 7,000 | | |

QUESTION 7

| DR | | | VAN ACCOUNT | | | CR | |
|-----------|--------------|-------------------------|-------------|------------------|-------------------------|----|--|
| DATE | DETAILS | SH. | DATE | DETAILS | SH. | | |
| 1/1/2001 | Cash (van 1) | 800,000 | 31/12/2001 | Balance c/d | 1,300,000 | | |
| 1/1/2001 | Cash (van 2) | <u>500,000</u> | | | 0 | | |
| | | <u>1,300,000</u> | | | <u>1,300,000</u> | | |
| | | | | | | | |
| 1/1/2002 | Balance b/d | <u>1,300,000</u> | 31/12/2002 | Balance c/d | <u>1,300,000</u> | | |
| | | <u>1,300,000</u> | | | <u>1,300,000</u> | | |
| - | - | | - | - | | | |
| | | | | | | | |
| 1/1/2003 | Balance b/d | 1,300,000 | 31/12/2003 | Balance c/d | 2,920,000 | | |
| 1/7/2003 | Cash (van 3) | 900,000 | | | 0 | | |
| 1/10/2003 | Cash (van 4) | <u>720,000</u> | | | | | |
| | | <u>2,920,000</u> | | | <u>2,920,000</u> | | |
| - | - | | - | - | | | |
| | | | | | | | |
| 1/1/2004 | Balance b/d | 2,920,000 | 30/9/2004 | Disposal (van 1) | 800,000 | | |
| | | | 31/12/2004 | Balance c/d | <u>2,120,000</u> | | |
| | | <u>2,920,000</u> | | | <u>2,920,000</u> | | |
| - | - | | - | - | | | |
| | | | | | | | |
| 1/1/2005 | Balance b/d | 2,120,000 | 30/6/2005 | Disposal (van 2) | 500,000 | | |
| | | | 31/12/2005 | Balance c/d | <u>1,620,000</u> | | |
| | | <u>2,120,000</u> | | | <u>2,120,000</u> | | |
| - | - | | - | - | | | |

| | | | | | |
|----------|-------------|-----------|--|--|--|
| 1/1/2006 | Balance b/d | 1,620,000 | | | |
|----------|-------------|-----------|--|--|--|

| DR | | | PROVISION FOR DEPRECIATION ACCOUNT | | | CR |
|------------|------------------|------------------|------------------------------------|----------------------|------------------|----|
| DATE | DETAILS | SH. | DATE | DETAILS | SH. | |
| 31/12/2001 | Balance c/d | <u>260,000</u> | 31/12/2001 | Profit and loss (W1) | <u>260,000</u> | |
| - | - | 260,000 | - | - | 260,000 | |
| 31/12/2002 | Balance c/d | 520,000 | 1/1/2002 | Balance b/d | 260,000 | |
| | | | 31/12/2002 | Profit and loss (W1) | <u>260,000</u> | |
| - | - | 520,000 | - | - | 520,000 | |
| 31/12/2003 | Balance c/d | 906,000 | 1/1/2003 | Balance b/d | 520,000 | |
| | | | 31/12/2003 | Profit and loss (W1) | <u>386,000</u> | |
| - | - | 906,000 | - | - | 906,000 | |
| 30/9/2004 | Disposal (van 1) | 600,000 | 1/1/2004 | Balance b/d | 906,000 | |
| 31/12/2004 | Balance c/d | <u>850,000</u> | 31/12/2004 | Profit and loss (W1) | <u>544,000</u> | |
| | | 1,450,000 | | | 1,450,000 | |
| 30/6/2005 | Disposal (van 2) | 450,000 | 1/1/2005 | Balance b/d | 850,000 | |
| 31/12/2005 | Balance c/d | <u>774,000</u> | 31/12/2005 | Profit and loss (W1) | <u>374,000</u> | |
| - | - | 1,224,000 | - | - | 1,224,000 | |
| | | | 1/1/2005 | Balance b/d | 774,000 | |

| DR | | | VAN DISPOSAL ACCOUNT | | | CR |
|------------|--------------------------|----------------|----------------------|----------------------------|----------------|----|
| DATE | DETAILS | SH. | DATE | DETAILS | SH. | |
| 30/9/2004 | Van 1 | 800,000 | 30/9/2004 | Provision for depreciation | 600,000 | |
| 31/12/2004 | Profit and loss (profit) | <u>29,000</u> | 30/9/2004 | Cash | <u>229,000</u> | |
| - | - | 829,000 | - | - | 829,000 | |
| 30/6/2005 | Van 2 | 500,000 | 30/6/2005 | Provision for depreciation | 450,000 | |
| | | | 30/6/2005 | Cash | <u>5,000</u> | |
| | | | 31/12/2005 | Profit and loss (loss) | <u>45,000</u> | |
| - | - | 500,000 | - | - | 500,000 | |

(W1) Workings for depreciation charges

| | | | |
|-----------|--------|---------------------------------------|---------|
| 1/1/2001 | Van 1→ | $800,000 \times 20\% =$ | |
| | | $800,000 \times 20/100 =$ | 160,000 |
| | Van 2→ | $500,000 \times 20\% =$ | 100,000 |
| | | | |
| 1/1/2002 | Van 1→ | $800,000 \times 20\% =$ | |
| | | $800,000 \times 20/100 =$ | 160,000 |
| | Van 2→ | $500,000 \times 20\% =$ | 100,000 |
| | | | |
| 1/1/2003 | Van 1→ | $800,000 \times 20\% =$ | |
| | | $800,000 \times 20/100 =$ | 160,000 |
| 1/1/2003 | Van 2→ | $500,000 \times 20\% =$ | 100,000 |
| 1/7/2003 | Van 3→ | Purchased | |
| | | $(900,000 \times 20\%) \times 6/12 =$ | 90,000 |
| 1/10/2003 | Van 4→ | Purchased | |
| | | $(720,000 \times 20\%) \times 3/12 =$ | 36,000 |
| | | | |
| 30/9/2004 | Van 1→ | Disposed | |
| | | $(800,000 \times 20\%) \times 9/12 =$ | 120,000 |
| 1/1/2004 | Van 2→ | $500,000 \times 20\% =$ | 100,000 |
| 1/1/2004 | Van 3→ | $900,000 \times 20\% =$ | 180,000 |
| 1/1/2004 | Van 4→ | $720,000 \times 20\% =$ | 144,000 |
| | | | |
| 30/6/2005 | Van 2→ | Disposed | |
| | | $(500,000 \times 20\%) \times 6/12 =$ | 50,000 |
| 1/1/2004 | Van 3→ | $900,000 \times 20\% =$ | 180,000 |
| 1/1/2004 | Van 4→ | $720,000 \times 20\% =$ | 144,000 |

DEPRECIATION TABLE

| YEAR | VAN 1 | V1N 2 | V1N 3 | V1N 4 | PROFIT AND LOSS |
|--------------|----------------|----------------|----------------|----------------|------------------|
| 2001 | 160,000 | 100,000 | | | 260,000 |
| 2002 | 160,000 | 100,000 | | | 260,000 |
| 2003 | 160,000 | 100,000 | 90,000 | 36,000 | 386,000 |
| 2004 | 120,000 | 100,000 | 180,000 | 144,000 | 544,000 |
| 2005 | | 50,000 | 180,000 | 144,000 | 374,000 |
| TOTAL | 600,000 | 450,000 | 450,000 | 324,000 | 1,824,000 |

