

BOOK-KEEPING - FORM IV - 2016

Solutions

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

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QUESTION 1

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

QUESTION 2

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

QUESTION 3(A)

Uses of a trial balance

- It is used to prove the arithmetical accuracy of accounts. i.e. DR = CR
- It shows the accounts that exist in the business
- It shows balances of accounts of the business
- Is used as a summary of the ledger
- It help to detect errors

QUESTION 3(B)

Limitations of a balance sheet

- It does not show true value of asset. Some expenses to acquire asset are ignored
- It needs comparison between business balance and balance sheet
- It does not show future finances of the business
- It does not show other financial information. Eg. Budget
- Does not show all products

QUESTION 3(C)

Advantages of double entry system

- It help to control cost
- It help in decision making
- It help to obtain profit and loss
- It detect errors
- It is systematic system. It has principles to record financial transactions of the business
- Complete System Of Accounting. Record debit and credit
- Suitable For Large Companies

viii) It shows arithmetical accuracy

QUESTION 4(A)

MPAMBANAJI

DR TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31/7/2013 CR

DETAILS	SH.	DETAILS	SH.
Opening stock	72,000	Sales	600,000
Add: purchases	<u>260,000</u>		
Cost of goods available for sale	332,000		
Less: closing stock	<u>50,000</u>		
Cost of goods sold	282,000		
Gross profit c/d	<u>318,000</u>		
-	<u>600,000</u>	-	<u>600,000</u>
		Gross profit b/d	318,000
ADD: EXPENSES		ADD: INCOMES	
Total expenses	40,000		
Net profit c/d	<u>278,000</u>		
-	<u>318,000</u>	-	<u>318,000</u>
		Net profit b/d	278,000

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

$$\text{Margin} = \frac{318,000}{600,000} \times 100\% = 53\%$$

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

$$\text{Mark - up} = \frac{318,000}{282,000} \times 100\% = 112.77\%$$

Alternative

$$\text{Mark - up} = \frac{53}{100-53} \times 100\% = 112.77\%$$

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

Note: Capital employed = Assets – liabilities

$$\text{Capital employed} = (400,000 + 180,000) - 148,000 = 432,000$$

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$$\text{Return on capital} = \frac{278,000}{432,000} \times 100\% = 64.35\%$$

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

$$\text{Working capital ratio} = \frac{180,000}{148,000} = 45:37$$

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

$$\text{Rate of stock turnover} = \frac{282,000}{(72,000 + 50,000) \div 2} = 4.6 \text{ times}$$

QUESTION 4(B)

TRANSACTION	ACCOUNT TO BE DEBITED	ACCOUNT TO BE CREDITED
(i) Owner put cash into business	Cash A/C	Capital A/C
(ii) Paid a creditor L.Lithimba by cheque	L.Lithimba A/C	Bank A/C
(iii) Bought goods on credit from W.Wamilika	Purchases A/C	W.Wamilika A/C
(iv) A debtor Chinamoto paid us in cash	Cash A/C	Chinamoto A/C
(v) Received cash for rent	Cash A/C	Rent A/C
(vi) Owner withdraws cash from business for personal use	Drawings A/C	Cash A/C
(vii) Paid commission by cheque	Commission A/C	Bank A/C
(viii) Bought furniture on credit from Mtile	Furniture A/C	Mtile A/C
(ix) Sold goods for cash	Cash A/C	Sales A/C
(x) Bought goods paying in cash	Purchases A/C	Cash A/C

QUESTION 5

JOURNAL ENTRIES

NO .	DETAILS	DR (SHS.)	CR (SHS.)
(a)	Typewriter	17,500	
	Office expenses		17,500
	Being error of principle now rectified		

(b)	Drawings	12,500	
	Bank		12,500
	Being error of omission now rectified		
(c)	M.Kaniki	25,000	
	M.Katanga		25,000
	Being error of comission now rectified		
(d)	Suspense	1,000	
	Mashaka Yanini		1,000
	Being error of over cast now rectified		
	Sales	1,000	
	Suspense		1,000
	Being error of over cast now rectified		
(e)	Catherine Mitumba & Sons	450	
	Purchases		450
	Being error of over cat now rectified		
(f)	Tools	12,300	
	Suspense		12,300
	Being error of not posting figure to the ledger now rectified		
(g)	Suspense	12,000	
	Purchases		12,000
	Being error of over cast now rectified		
(h)	Suspense	4,000	
	Sales		4,000
	Being error of under cast now rectified		
(i)	Petty cashbook	7,100	
	Suspense		7,100
	Being error of omitting figure from a trial balance now rectified		
(j)	Majura	270	
	Suspense		270
	Being error of over cast now rectified		

(k)	H.Kasoga	28,000	
	Suspense		28,000
	Being error of posting figure on the wrong side now rectified		
(l)	Carriage on purchases	9,200	
	Carriage Outwards		9,200
	Being error of principle now rectified		
(m)	Discount received	4,000	
	Suspense		4,000
	Being error of posting figure on the wrong side now rectified		

DR		SUSPENSE ACCOUNT		CR	
DETAILS	SHS.	DETAILS	SHS.		
Balance b/d	35,670	Cashbook	7,100		
Purchases	12,000	Majura	270		
Sales	4,000	H.Kasoga	28,000		
Mashaka Yanini	1,000	Tools	12,300		
		Sales	1,000		
		Discount received	4,000		
	52,670		52,670		

QUESTION 6(A)

(a)

Janguo and Majuto

Dr Profit and Loss Appropriation Account for the year ended 31/ 12/ 2012

Details	Shs.	Details	Shs.
Interest on capitals		Net profit	323,500
Janguo ($60,000 \times 2.5\%$)	1,500	Interest on drawings:	
Majuto ($40,000 \times 2.5\%$)	1,000	Janguo ($150,000 \times 3\%$)	4,500
	2,500	Majuto ($100,000 \times 3\%$)	3,000
Share of profit:			7,500
Janguo ($328,500 \times 2/3$)	219,000		
Majuto ($328,500 \times 1/3$)	109,500		
	328,500		
	331,000		331,000

(b)

Dr Partners' Current Account Cr

Details	Janguo	Majuto	Details	Janguo	Majuto
Drawings	150,000	100,000	Interest on capital	1,500	1,000
Interest on drawings	4,500	3,000	Share of profit	219,000	109,500
Balance c/d	66,000	7,500			
	220,500	110,500		220,500	110,500
			Balance b/d	66,000	7,500

Dr		Partners' Capital Account		Cr	
Details	Janguo	Majuto	Details	Janguo	Majuto
Balance c/d	<u>60,000</u>	<u>40,000</u>	Cash	<u>60,000</u>	<u>40,000</u>
-	<u>60,000</u>	<u>40,000</u>	-	<u>60,000</u>	<u>40,000</u>
			Balance b/d	60,000	40,000

QUESTION 6(B)

DR			SUBSCRIPTION ACCOUNT			CR		
DATE	DETAILS	SHS.	DATE	DETAILS	SHS.			
1/1/2012	Accrued b/d	210,000	1/1/2012	Prepaid b/d	275,000			
31/12/2012	Income and expenditure	5,100,000	31/12/2012	Cash	4,935,000			
31/12/2012	Prepaid c/d	<u>60,000</u>	31/12/2012	Accrued c/d	<u>160,000</u>			
-	-	<u>5,370,000</u>	-	-	<u>5,370,000</u>			
1/1/2012	Accrued b/d	160,000	1/1/2012	Prepaid b/d	60,000			

QUESTION 7(A)

MAJOHE LIMITED				
DR		MANUFACTURING ACCOUNT FOR THE YEAR ENDED 31.12.2012		CR
DETAILS	SH.	SH.	DETAILS	SH.
Opening stock of raw materials		80,000	Production cost c/d	1,832,000
Add: Purchases of raw materials	870,000	-		
Carriage in	<u>20,000</u>	<u>890,000</u>		
Cost of raw materials available for use		970,000		
Less: closing stock of raw materials		<u>105,000</u>		
Cos of raw materials consumed		865,000		
Add: Direct Expenses				
Direct wages	396,000			
Direct expenses	<u>14,000</u>	-		
		<u>410,000</u>		
Prime cost		1,275,000		
Add: Factory Overheads Expenses				
Wages	255,000			
Fuel and power	99,000			
Lubricants	30,000			
Rent of factory	72,000			
Depreciation of plant and macinery	42,000			
Internal transport	18,000	-		
Insurance of building and plant	15,000	-		
General factory exeses	<u>33,000</u>	-		
Total actory cost		<u>564,000</u>		
		1,839,000		
Add: Work-in-progress at start		<u>35,000</u>		

		1,874,000		
Less: Work-in-progress at close		<u>42,000</u>		
Production cost of goods completed		1,832,000		
		<u>1,832,000</u>		<u>1,832,000</u>
Production cost b/d		1,832,000		

QUESTION 7(B)

DR		TOTAL ACCOUNTS RECEIVABLE				CR
DATE	DETAILS	SH.	DATE	DETAILS	SH.	
1/12/2011	Balance b/d	26,555	1/1/2012	Cash/ Bank	600,570	
		268,187	1/1/2012	Discount allowed	5,520	
1/1/2012	Credit sales		1/1/2012	Bad debts	780	
1/1/2012	Credit notes	4,140	1/1/2012	Set off	70	
30/11/2012	Balance c/d	308,058				
		<u>606,940</u>			<u>606,940</u>	
			1/12/2012	Balance b/d	308,058	

DR		TOTAL ACCOUNTS PAYABLE				CR
DATE	DETAILS	SH.	DATE	DETAILS	SH.	
1/1/2012	Cash/ Bank	503,970	1/12/2011	Balance b/d	43,450	
1/1/2012	Discount received	3,510	1/1/2012	Credit purchases	496,600	
1/1/2012	Set off	70	1/1/2012	Credit notes	1,480	
30/11/2012	Balance c/d	33,980				
		<u>541,530</u>			<u>541,530</u>	
			1/12/2012	Balance b/d	33,980	