

BOOK-KEEPING - FORM IV - 2018

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)
D	E	B	B	C	B	D	E	A	C

QUESTION 2

(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)
J	G	D	A	O	L	B	F	N	H

QUESTION 3(A)

A self-balancing ledger means each ledger is maintained under double entry principle. A Control Account is an account opened to check the accuracy of arithmetical entries in the general ledger.

The following are the advantages of self-balancing ledgers and control account:-

Detection of errors. Errors can be detected and localized quickly and only the connected ledger can be checked without checking the other ledgers. Thus it saves time, money and labour

Detection of fraud. If the trial balance does not agree for a particular ledger, the bookkeeper who has prepared that ledger will be responsible

Completion of a trial balance. Completed trial balance can be compiled by taking the balances of accounts

High efficiency, this system provides sub-division of work among the different employees. Work can be done quickly

Keeping confidential information, a private ledger may be prepared in order to keep the confidential information relating to the proprietor's capital reserve, profit, etc., which is kept by proprietor himself or by his trust worthy person.

Decision making. By taking the balances from debtor's ledger adjustment account and creditor's ledger adjustment account recorded at the end of the general ledger, management can detect amounts owing to or by the business which could help to make decision.

QUESTION 3(B)

Petty cash system is the system which is used to record minor expenses in the particular organization. The following are benefits of using petty cash system

It provides relief to chief cashier, because it records minor payments.

It minimizes frauds, because the chief cashier verifies petty cash book along with petty cash vouchers and the petty cashier is more responsible.

It is easy to prepare petty cashbook, because each expense has got a specific column for recording its amount.

It saves time and labour, each expenditure is recorded to its right column

Facility in posting, because direct ledger posting becomes easy hence saving of space.

QUESTION 4(A)

DR TRADING AND PROFIT AND LOSS A/C FOR THE YEAR ENDED 31.12.2017			CR	
DETAILS		TZS	DETAILS	TZS
Opening stock		150,000	Sales	2,500,000
Add: purchases	2,000,000			
Carriage in	50,000			
		<u>2,050,000</u>		
Cost of goods available for sale		2,200,000		
Less: closing stock		<u>300,000</u>		
Cost of goods sold		1,900,000		
Gross profit c/d		<u>600,000</u>		
		<u>2,500,000</u>		<u>2,500,000</u>
			Gross profit b/d	600,000
OTHER EXPENSES			ADD: OTHER INCOME	
Warehouse wages		80,000	Rent received	100,000
Expenses		200,000		
Net profit c/d		<u>420,000</u>		
		<u>700,000</u>		<u>700,000</u>
			Net profit b/d	420,000

(i) $\text{Gross profit} = 600,000 = \text{TZS}$

(ii) $\text{Rate of stock turnover} = \frac{\text{Cost of sales}}{\text{Average stock}}$

$$\text{Rate of stock turnover} = \frac{1,900,000}{(150,000 + 300,000) \div 2}$$

$\text{Rate of stock turnover} = 8.44 \text{ times}$

(iii) $\text{Percentage of expenses over sales} = \frac{\text{Expenses} + \text{Warehouse wages}}{\text{Sales}} \times 100\%$

$$\text{Percentage of expenses over sales} = \frac{(200,000+80,000)}{2,500,000} \times 100\% = 11.2\%$$

$$\text{Percentage of expenses over sales} = 8\%$$

QUESTION 4(B)

TRANSACTION	ACCOUNT TO BE DEBITED	ACCOUNT TO BE CREDITED
(i) Started business putting cash into a business bank account.	Bank A/C	Cash A/C
(ii) Bought machinery on credit from Unique Machines Traders.	Machinery A/C	Unique Machine Traders A/C
(iii) Withdrew cash from the bank and placed it in the cash box.	Cash A/C	Bank A/C
(iv) Bought a second hand motor van paying in cash.	Motor van A/C	Cash A/C
(v) Sold some of the machinery on credit to B. Brothers	B. Brothers A/C	Sales A/C

QUESTION 5 (A)

JOURNAL ENTRIES

N O	DETAILS	DR	CR
i	Sales	10,000	
	Suspense		10,000
	Being error of overcasting sales now rectified		
ii	Drawing	8,000	
	Purchases		8,000
	Being error of omission now rectified		
iii	Suspense	12,000	
	Discount allowed		6,000
	Discount received		6,000
	Being error of posting figure on the wrong side now rectified		
iv	Carriage out	5,000	
	Carriage in		5,000
	Being error of commission now rectified		
v	Debtors (M. Migire)	1,000	
	Suspense		1,000
	Being error of omission now rectified		

vi	Suspense	50,000	
	Capital		50,000
	Being error of failure to post figure from subsidiary book to the ledger now rectified		
vii	Warehouse	50,000	
	Purchases		35,000
	Wages		15,000
	Being error of commission now rectified		
vii	Drawings	14,000	
	Purchases		14,000
	Being error of omission now rectified		
viii	Azania	25,000	
	Azam		25,000
	Being error of commission now rectified		

QUESTION 5(B)

STATEMENT OF CORRECTING GROSS PROFIT

	TZS	TZS
Gross profit before correction		143,000
Add: INCOMES		
Purchases	8,000	
Purchases	35,000	
Purchases	14,000	
Carriage in	<u>5,000</u>	
		<u>62,000</u>
		205,000
LESS: EXPENSES		
Sales		<u>10,000</u>
		<u>-</u>
Corrected gross profit		<u>195,000</u>

STATEMENT OF CORRECTING NET PROFIT

	TZS	TZS
Net profit before correction		36,000
Add: OTHER INCOMES		
Discount allowed	6,000	
Discount received	6,000	
Wages	<u>15,000</u>	
		<u>27,000</u>

		63,000
LESS: EXPENSES		
Sales		<u>10,000</u>
Corrected net profit		53,000

DR	SUSPENSE A/C		CR
DETAILS	TZS	DETAILS	TZS
Discount allowed	6,000	Balance b/d	51,000
Discount received	6,000	Sales	10,000
Capital	<u>50,000</u>	Debtors	<u>1,000</u>
	-		
	62,000		62,000

QUESTION 6 (A)

ESSAU, CHUWA AND LINUS

DR TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31. 12. 2017

			CR	
DETAILS		TZS	DETAILS	TZS
Opening stock		400,000	Sales	3,000,000
Add: purchases		<u>1,700,000</u>		
Cost of goods available for sale		2,100,000		
Less: closing stock		<u>600,000</u>		
Cost of goods sold		1,500,000		
Gross profit c/d		<u>1,500,000</u>		
		3,000,000		3,000,000
			Gross profit b/d	1,500,000
EXPENSES			ADD: OTHER INCOMES	
Bad debt	10,000			
Provision for bad debt (w1)	2,500			
Depreciation on:				
Land and building (5% × 1,200,000)	60,000			
Motor vehicle (20% × 400,000)	80,000			
Office expenses	80,000			
Rates (w2)	40,000			
Selling expenses(w3)	<u>315,500</u>			
		588,000		

Net profit c/d		912,000		
		<u>1,500,000</u>		<u>1,500,000</u>
			Net profit b/d	912,000

ESSAU, CHUWA AND LINUS PARTNERS

DR PROFIT AND LOSS APPROPRIATION A/C FOR THE YEAR ENDED 31.12.2017

Cr

DETAILS		TZS	DETAILS	TZS
Interest on capital:			Net profit	912,000
Essau($360,000 \times 10\%$)	36,000			
Chuwa ($240,000 \times 10\%$)	24,000			
Linus ($120,000 \times 10\%$)	12,000			
		72,000		
Salary to Linus		120,000		
Share of profit:				
Essau($720,000 \times 3/6$)	360,000			
Chuwa ($720,000 \times 2/6$)	240,000			
Linus ($720,000 \times 1/6$)	<u>120,000</u>			
		<u>720,000</u>		
		<u>912,000</u>		<u>912,000</u>

QUESTION 6(B)

ESSAU, CHUWA AND LINUS PARTNERSHIP

Dr CURRENT ACCOUNT Cr

DATE	DETAILS	ESSAU	CHUWA	LINUS	DATE	DETAILS	ESSAU	CHUWA	LINUS
1/1/2017	Balance b/d		10,000		1/1/2017	Balance b/d	14,000		6,000
	Drawings	80,000	60,000	60,000		Interest on capital	36,000	24,000	12,000
						Salary			120,000
31/12/2017	Balance c/d	<u>330,000</u>	<u>194,000</u>	<u>198,000</u>		Share of profit	<u>360,000</u>	<u>240,000</u>	<u>120,000</u>
		<u>410,000</u>	<u>264,000</u>	<u>258,000</u>			<u>410,000</u>	<u>264,000</u>	<u>258,000</u>
					1/1/2018	Balance b/d	330,000	194,000	198,000

BALANCE SHEET AS AT 01. 01. 2018

FIXED ASSET	TZS	TZS	CAPITAL AND LIABILITIES	TZS
Land and building	1,200,000		Capital:	
Less: provision for depreciation (w4)	300,000		Essau	360,000
		900,000	Chuwa	240,000
Motor vehicle	400,000		Linus	120,000
Less: provision for depreciation (w5)	240,000			
		<u>160,000</u>	CURRENT ACCOUNT	
		1,060,000	Essau	330,000
CURRENT ASSETS			Chuwa	194,000

Stock		600,000	Linus	198,000
Dedtors	450,000			
Less: provision for bad debt	<u>22,500</u>		CURRENT LIABILITIES	
		427,500	Creditors	700,000
Bank		50,000	Outstanding expenses	<u>35,500</u>
Prepayments		<u>40,000</u>		
-	-	2,177,500	-	2,177,500

WORKINGS

(w1)

DR	PROVISION FOR BAD DEBT A/C		CR
Balance c/d (460,000-10,000)×5%	22,500	Balance b/d	20,000
		Profit and loss	<u>2,500</u>
	22,500		22,500
		Balance b/d	22,500

(W2)

DR	RATES A/C		CR
Balance b/d	80,000	Profit and loss	40,000
		Prepaid c/d	<u>40,000</u>
-	80,000	-	80,000
Prepaid b/d	40,000		

(W3)

DR	SELLING EXPENSES A/C		CR
Balance b/d	280,000	Profit and loss	315,500
Accrued c/d	<u>35,500</u>	-	
-	315,500	-	315,500
		Accrued b/d	35,500

(w4) Depreciation of land and building = $1,200,000 \times 5\% = 60,000/=$ TZS

Provision for depreciation on land and building = $240,000 + 60,000 = 300,000/=$ TZS

(w5) Depreciation of motor vehicle = $400,000 \times 2\% = 80,000/=$ TZS

Provision for depreciation on motor vehicle = $160,000 + 80,000 = 240,000/=$ TZS

QUESTION 7 (A)

DR TRADING AND PROFIT AND LOSS A/C FOR THE YEAR ENDED 31.12.2017			CR	
DETAILS		TZS	DETAILS	TZS
Opening stock		60,000	Sales	524,000
Add: purchases	230,000			
	0			
Carriage in	<u>40,000</u>			
		<u>270,000</u>		

Cost of goods available for sale		330,000		
Less: closing stock		<u>20,000</u>		
Cost of goods sold		310,000		
Gross profit c/d		<u>214,000</u>		
-	-	524,000	-	524,000
			Gross profit b/d	214,000
OTHER EXPENSES			ADD: OTHER INCOME	
Provision for bad debt (140,000 × 10%)	14,000			
Expenses (W1)	<u>108,000</u> 0	122,000		
Net profit c/d		<u>92,000</u>		
-	-	214,000	-	214,000
			Net profit b/d	92,000

QUESTION 7 (B)

DR	DEBTORS CONTROL A/C		CR
	TZS		TZS
Balance b/d	120,000	Receipt from debtor	420,000
Credit sales	<u>440,000</u>	Balance c/d	<u>140,000</u>
-	<u>560,000</u>	-	<u>560,000</u>
Balance b/d	140,000		

Total sales = credit sales + cash sales

Total sales = 440,000 + 84,000

Total sales = 524,000/= TZS

DR	CREDITORS CONTROL A/C		CR
	TZS		TZS
Payment to creditors	200,000	Balance b/d	40,000
Balance c/d	<u>70,000</u>	Credit purchases	<u>230,000</u>
-	<u>270,000</u>	-	<u>270,000</u>
		Balance b/d	70,000

DR	CASHBOOK		CR
	TZS		TZS
Balance b/d	22,000	Payments to creditors	200,000
Receipt from debtors	420,000	Carriage inwards	40,000
Cash sales	84,000	Drawings	120,000
		Sundry expenses	140,000
		Furniture purchases	20,000
		Balance c/d	6,000
-	526,000	-	526,000
Balance b/d	6,000		

QUESTION 7 (C)

DR	BALANCE SHEET AS AT 31. 12. 2017		CR
FIXED ASSETS	TZS		TZS
Club furniture	120,000	Capital (w2)	250,000
		Add: net profit	<u>92,000</u>
CURRENT ASSETS			342,000
Stock	20,000	Less: drawings	<u>120,000</u>
Debtors	126,000	Net profit	222,000
Cash	6,000		
Prepaid expenses	<u>40,000</u>	CURRENT LIABILITIES	-
	-	Creditors	70,000
		Outstanding expenses	<u>20,000</u>
	312,000		312,000

WORKINGS:

(W1)	DR	SUNDRY EXPENSES A/C		CR
	Cash	140,000	Accrued b/d	12,000
	Accrued c/d	20,000	Profit and loss	108,000
			Prepaid c/d	<u>40,000</u>
	-	160,000	-	160,000
	Prepaid b/d	40,000	Accrued b/d	20,000

(w2)	DR	STATEMENT OF AFFAIRS AS AT 31.12.2016		CR
	FIXED ASSETS	TZS	CAPITAL AND LIABILITIES	TZS
	Club furniture	100,000	Capital	250,000
				-
	CURRENT ASSETS		CURRENT LIABILITIES	-
	Stock	60,000	Creditors	40,000
	Debtors	120,000	Outstanding expenses	<u>12,000</u>
	Cash	<u>22,000</u>		
		-		
		-		
		302,000		302,000