1. Highlight five importance of sources documents in business.(5mks)

* **They provide on accurate source of data for entries in books of accounts**
* **They minimize the possibility of errors of origin due to systems of checks and balances**
* **They may be used for references.**
* **They minimizes the possibility of fraudulent entries**

1. For each of the following transactions indicate the books of original entry which they would be recorded.(5mks)

a)Bought goods on credit.- **purchases journal**

b)Sold an old typewriter on credit.- **general journal**

c) Returned goods bought on credit for sale.- **purchases return journal**

d)Opening and closing entries.- **general journal**

e)When cash is received for goods sold.- **cash receipt journal**

3 a) Explain five types of errors that may occur in a trial balance.(10mks)

* **Error of total omission – this occurs when a transaction takes place and no entry is made in the books**
* **Error of commission – occurs when for a given transaction , a double entry is completed but one of the entries is made on the wrong account of the same class of accounts**
* **Error of principle – occurs when a double is completed but on the entries is made in a wrong account of a wrong class of account**
* **Error of original entry – occurs when the amount of a transaction is not correctly written in the document of origin such as invoice**
* **Error of compensation – this is a situation where the total sum of the debit entry errors equalizes the total sum of the credit entry errors.**

3 b) State five features of an efficient transport system.(5mks)

* **Should be secure**
* **Affordable**
* **Flexible**
* **Reliable**
* **Comfortable**
* **Fast**
* **Provide loading and off-loading facilities**

4. a) State four characteristics of basic human wants. (4mks)

* **Cannot be postponed**
* **Felt needs**
* **Are necessities for life**
* **Satisfied before secondary wants**

b) State five reasons why most businesses in Kenya operate on small scale.

* **Lack of capital**
* **Highly flexible**
* **Few legal formalities**
* **Profits are not shared**

5 a) In each of the following cases state the sources documents used.(5 mks)

i)When goods are sold in cash. – **cash receipt**

ii)When correcting an under-charge.- **debit note**

iv) When goods are returned by a customer- **credit note**

v) When the petty cashier pays for expenses in an office- **payment voucher** .

5 b). The following transactions took place in the Mali Traders in the month of June 2016.

**SALES JOURNAL**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| DATE | DETAILS | INVOICE NO | FOLIO | AMOUNT |
| 2006 |  |  |  |  |
| June 4 | Biyang | 001 | SL 1 | 14,000 |
| June 4 | Wendy | 002 | SL2 | 17,000 |
| June 22 | Biyang | 001 | SL 1 | 6,000 |
| June 22 | Amwangu | 003 | SL 3 | 10,000 |
| June 22 | Josephine | 004 | SL 4 | 11,000 |
|  | Total posted to sales A/C(cr) |  |  | 58,000 |

**PURCHASES JOURNAL**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| DATE | DETAILS | INVOICE NO | FOLIO | AMOUNT |
| 2006 |  |  |  |  |
| June 7 | Faddy | 001 | PL 1 | 43,000 |
| June 12 | Violet | 002 | PL 2 | 64,000 |
| June 12 | Elatsia | 001 | PL 1 | 28,000 |
|  | Total posted to purchases a/c (dr) |  |  | 135,000 |

**SALES RETURN JOURNAL**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Date | Details | Credit note | Folio | amount |
| 2006 |  |  |  |  |
| June 10 | Biyang | 001 | SL 1 | 3,000 |
| June 28 | Amwangu | 002 | SL 2 | 1,000 |
|  | Total posted to sales returns a/c (dr) |  |  | 4,000 |

**PURCHASES RETURN JOURNAL**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| date | Details | Credit note | Folio | amount |
| 2006 |  |  |  |  |
| June 18 | Faddy | 001 | PL 1 | 5,000 |
| June 18 | Violet | 002 | PL 2 | 2,000 |
|  | Total posted to purchases return a/c (dr) |  |  | 7,000 |