**SOURCE DOCUMENTS AND BOOKS OF ORIGINAL ENTRY**

1.Salary account

|  |  |
| --- | --- |
| Salaries 200 000 200 000  | Accrued (open) 46 000Prepaid (close) 150 000Profit loss 104 000 200 000  |

2 - The property or life being insured must be the subject matter of the insurance agreement

- There must be some property or life that is capable of being insured

- The relationship between the insured and the property or life must be recognized

- The insured must stand in relationship with the property or life being insured

3. Commission received account

|  |  |
| --- | --- |
|  Kshs |  Kshs |
| Profit and loss 48000 | Balance b/d 12000 |
| Balance c/d 24000 | Cash book 60000 |
|  72000 |  72000 |
|  | Balance b/d 24000 |

4. - Sales journal

* Sales returns/ Returns inwards journal
* Purchases returns/ returns outwards journal
* Cash book/ cash receipts and cash payments journal
* Purchases journal
* General/ journal proper

5.

|  |  |
| --- | --- |
| Dr. Debtors control a/c |  Cr. |
| Bal b/d 11,000Dishonoured cheques 2,800Credit sales 52,500  66,300  | Bad debts W/O 5000Returns inwards 1600Receipts 31,000Discount allowed 3,400Bal c/d 25,300 66,300 |

**27. FINANCIAL STATEMENTS**

1. Margin = G.P = Sales – Cost \*

 Sales Sales

20 S = S – (160,000 + 1800,000- 200,000)

100 S- 1q,1760,000

80 S = 1,1760,000

100

S = 17600X 100

 ***80***

***2. The following balances were r extracted from the books of Masai retailers on 14th July 2000***

***Prepare the trading account for the period ended 14th July 2000***

 ***Masai net trading account for the year ended 14th July 2000***

|  |  |  |
| --- | --- | --- |
| Opening stock |  30 000 | Sales 1 000 000  |
| Purchases 800 000 |  | (Less) return inwards 20 000 |
| (less) return 15 000 | 785 000 | Net sales 980 000 |
| G.A.S | 815 000 |  |
| Closing stock  |  80 000 |  |
| C.O.S | 735 000 |  |
| Gross profit | 245 000 |  |
|  | 980 000 |  980 000 |

Mark up=GP/COS X100=20

1/5-1= ¼ x25=GP/980 000

=25X980 000/100

=Sh.245 000

***3. Margin;***

G.P X 100

 Net sales

 90,000 x 100=33 1/3

 270,000

R.O.S.T. = Cost of goods sold

 Average stock

 = 180000

 115,000

 =1.6 times

***4. Average stock 120,000***

ROSTO = 3times

 (a) From ROSTO = cost of sales = COS

 Average stock 120,000

3 = COS

 120,000

 \COS = 120,000 x 3 = 360,000

(b) From margin, Mark up = 1 = 1

 4 – 1 3

 1 = GP

 3 COS

1 = GP = 3GP = 360,000

3 360,000

 GP = 120,000

 \Gross Profit = Shs. 120,000

(c) From margin = ¼ = GP

 sales

Sales = 4 x 120,000

Sales = 480,000

5. Bondo traders

 Trading account

 For the year ended 31 Dec 2004

|  |  |
| --- | --- |
| Opening 2 000Purchases 46 000 48 500Less closing stock 1 500 49 000G P c/d 9 400 56 400 | Sales 56 400 56 400 |

6. -External borrowing e.g. from IMF and World Bank

* + Solicit for foreign grants/donations/aids from donor countries
	+ Reduce government expenditure through cost-cutting measures
	+ Sale and lease back of public assets
	+ Introducing new taxation of selected goods

7.

 Half Bilha Traders

 Profit and loss Account

 For the month ended 30th Sep, 2009

|  |  |
| --- | --- |
| Cost of sales 150000 Gross profit c/d 50000 300000ExpensesCarriage outwards 12000Bad debts 30000Wages 25000Rent 15000Net profit 74000 156,000 | Net sales 300000  300000Gross profit b/d 150000Discount received 6000 156000Net profit 74000 |

8. (a) Gross profit

Mark up = G.P = 2

 cost of sales 3

Margin = 2/2+ 3 = 2/5

h.p = 2/5 x 5,400,000 = 2,160,000

(b) Cost of sale = sales – G.P

 5,400,000 – 2,160,000 = 3,240,000

P

(c) Net profit = G.P – Expenses

 = 2,160,000 – 800,000 = 1,360,000

9. ***The following information relates to Mandu enterprises limited***

 ***Stock (1.1.2009) 40000***

 ***Stock (31.1.2009) 60000***

 ***Purchases 500000***

 ***Margin 20%***

 ***Prepare Mandu Enterprises Limited Trading account for the year ended 31st December, 2009***

 MANDU ENTERPRISES LIMITED TRADING AND ACCOUNT

 For the period ended 31st Dec, 2009

|  |  |
| --- | --- |
| Dr ShsOpening stock 40000Add purchases 500000COGAS 540000Less closing stock 60000COGS 480000Gross profit 20000  600000 |  Cr Shs.Sales 600000 600000 |

 ***Margin to mark up***

 20% or 1/5 = 1/5-1 = ¼

\ Gross profit = ¼ x 480000 = 120,000

***10.*** a) Working capital

 = current assets – current liabilities

 = 320000 – 99000 = 221000

 b) Return on capital

 = NP x 100

 Capital invested

 = 95000/525000 x 100 = 18.09%

***11.*** Mark- up = G.P x100

 Cos

10%=G.P X100

 96,000

GP=9,600

Sales=Cost +G.P = 96,000+9600=105,600

 Atis

 Trading and loss account

 For the month ending 30-6-2008

Opening stock 22,000 Sales 105,600

Add purchases 100,000

Co GAS 122,000

Less c.s 26,000

Cos 96,000

G.P c/d 9,600

 105,600 105,600

 BAL b/d 9,600

***12.*** SHAH TRADERS

 Trading account for the period trading 30th June 2010

|  |  |
| --- | --- |
| Opening stock 65000 | Sales 280000 |
| Add purchases 190000 | Less sales returns (4200) |
| Less purchases returns (10000) 180000 |  275800 |
| Goods available for sale 245000 |  |
| Less closing stock 70000 |  |
| Cost of sales 175000 |  |
| Gross profit c/d 100800 |  |
|  275800 |  275800 |
|  | Gross profit b/d 100800 |

13.

 Chombo wholesalers

 Trading A/C for the year

 Ending 31st Dec, 2009

|  |  |
| --- | --- |
| Opening stock 80000Add purchases 320000Goods available for sale 400000Less closing stock 40000Cost of sales 360000 Gross profit c/d 140000 500000 | Sales 500000 500000Gross profit b/d 140000 |

 a) Margin = G.P X 100

 sales

 = 140000 X 100

 500000

 =28%

 b) Current ratio = Current assets : current liabilities

 Current asset = 40000 + 140000 = 180000

 Current liabilities = 90000

 180000 : 90000

 2:1

 c) Rate of stock turnover = cost of sale Average stock = 80000 + 40000

 Average stock 2

 = 360000 = 60000

 60000

 = 6 times

14. i) Sales for the year

Mark up = GP X 100

 COGS

1. = 100,000 x 100

 COGS

COGS = 100,000 X 100

 25

COGS = kshs. 400,000

But sales = COGS + GP

 = 400,000 + 100,000 = kshs. 500,000

 ii) Rate of stock turn over

Rates of stock turn over COGS

 Av

Average stock = opening stock + closing stock

 2

Closing stock = purchases + opening stock -COGS

 = 400,000 + 40,000 – 400,000

 = Kshs. 40,000

**SOURCE DOCUMENTS AND BOOKS OF ORIGINAL ENTRY**

***1. the general journal***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Date***  | ***Particulars***  | ***Folios***  | ***Dr(sh)*** | ***Cr (sh)***  |
| 2009 June2009 June 22009 June 102009 June 252009 June 282009 June 29  | Furniture A/CMotor vehicle(A record of opening balance of assets)Furniture A/CMwema furniture Ltd(Being a record of office furniture bought on credit from Mwema furniture Ltd)Omwami garage A/CC Motor vehicle A/C(being a record of credit sale of motor vehicle to Omwami garage)Motor vehicle A/CPurchases(Being a correction of an error of principle)Classic academy A/CComputer officeEquipment A/C(Being a record of the computer to classic academy)Goseta farm A/CTractor A/CTrain on disposal of old tractor(Being a record of old tractor to Goseta farms at a profit) | G.LG.LG.LG.LG.LG.LG.LG.LG.L | 50,000100,00065,000200,000750,00015,000250,000 | 65,000200,000750,00015,000200,00050,000 |

***2.***

***TOTAL DEBTORS ACCOUNT***

|  |  |
| --- | --- |
| ***DR*** |  ***CR*** |
| Balance b/d 24000Discount disallowed 1000Dishonored cheque 36000Credit sales 334600 395600Balance b/d 72000Total sales = cash sales + credit sale = 700000 + 334600 = Shs.1,034,600 | Bad debts 2000Discounts allowed 18000Returns inwards 5600Cash 298000Bal c/d 72000 395600 |

***3.***

***TOTAL CREDITORS ACCOUNT***

|  |  |
| --- | --- |
| ***DR*** |  ***CR*** |
| Returns outwards 10200Cash 590000Discounts received 6000Balance c/d 83600 689800 | Balance c/d 68000Credit purchases 621800 689800Balance b/d 83600 |

Total purchases = cash purchases + credit purchases

 =483400 + 621800= Shs.1,105,200

***4.***

***Cash receipt journal***

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ***Date******2009*** | ***particulars*** | ***Receipt*** ***number*** | ***Ledger******folio*** | ***Discount*** ***allowed*** | ***cash*** | ***Bank*** |
| June 2 6 18 21 30 | salesKemuntoBankManworiSales | 063064065066 | C | P3 200P660P3860 | 50 000PP30 000P16 500P96 500 | P76 800150 000P226 800 |
|  |  |  |

***5. Cash payment journal***

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ***Date******2009*** | ***particulars*** | ***Receipt number*** | ***Ledges folio*** | ***Discount received*** | ***cash*** | ***bank***P |
| June 3 12 18 22 23 26 | Salary &wagesOmwaboCashFurnitureWagesdrawings | 0830656734801 | C | P800P800 | P39 20024 000 5 000P68 200 | 101 500P 30 000P 85 000P216 500 |

***6. JAO TRADERS***

***TRADING AND PROFIT & LOSS ACCOUNT***

***FOR THE YEAR ENDING 31/12/2008***

|  |  |
| --- | --- |
| ***DR*** |  ***CR*** |
| Opening stock 60000Add purchases 161000Add carriage 11000 172000Less returns out (25000) 147000G.A.F.S 207000Less closing stock (72000)Cost of sales 135000Gross profit c/d 46000 181000 ExpensesDiscount allowed 2000Salaries 20000Tel charges 5000Less prepaid 1000 4000Water bills 2100Add accrued 1300 3300Electricity expenses 2000Carriage out 10000Insurance paid 1000Dep on equil (10/100 x 125000) 12500  54800Net loss b/d 800  | Sales 208000Less returns in 27000  181,000 181000 Gross profit 46000 Discount rec 8000Net loss c/d 800  54800 |

***7. During the month of March 2010 the petty cashier of Nyangija distributors***

 ***made the following payment after receiving an imprest of shs12, 000 from the general cashier.***

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Receipts***  | ***Date***  | ***Details***  | ***Total***  | ***Travel***  | ***Office*** ***Exp***  | ***Staff*** ***Tea***  | ***Stationery***  | ***Postage***  | ***Sundry***  | ***Ledge******a/c***  |
| *12,000* | *March 1* *3* *6* *8* *15* *19* *22* *24* *26* *31* | *Cash**Traveling**Office exp**Postage**Staff tea**Stationery**Office exp**Staff tea**Sundry exp**Benson* | *3500**1000**1200* *800**2000* *800**1000* *700* *900* | *3500* | *1000**800* | *800**1000* | *2000* | *1200* | *700* | *900*  |
|  |  |  | 11,900 | 3500 | 1800 | 1800 | 2000 | 1200 | 700 | 900  |
|  | March31 | Bal c/d |  100 |  |  |  |  |  |  |  |
| 12,000 |  |  | 12,000 |  |  |  |  |  |  |  |
|  100 |  | Bal b/d |  |  |  |  |  |  |  |  |

***8. PURCHASES JOURNAL***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Date***  | ***Details***  | ***Invoice No.*** | ***Ledger folio***  | ***August***  |
| 2005 March 1“ “ 1“ “ 1“ “ 10“ “ 10“ “ 10 | Obwocha Agwata NyanambaOnyancha ObwochaOmbaki  |  |  | 12003000250027006600330019300 |

 ***SALES JOURNAL***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Date***  | ***Details***  | ***Invoice No.*** | ***Ledger folio***  | ***August***  |
| 2005 March 5“ “ 5“ “ 5“ “  | Okero Micheka Omwega Bundi Tendu Okero  |  |  | 20004300150085063090010180 |

 ***PURCHASE RETURNS JOURNAL***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Date***  | ***Details***  | ***Invoice No.*** | ***Ledger folio***  | ***August***  |
| 2005 March 20“ “ 20 | Obwocha Onyancha   |  |  | 250700950 |

 ***SALES RETURNS JOURNAL***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Date***  | ***Details***  | ***Invoice No.*** | ***Ledger folio***  | ***August***  |
| 2005 March 30“ “ 30 | Bundi Michieka  |  |  | 150130280 |