**SOURCE DOCUMENTS AND BOOKS OF ORIGINAL ENTRY**

1.Salary account

|  |  |
| --- | --- |
| Salaries 200 000  200 000 | Accrued (open) 46 000  Prepaid (close) 150 000  Profit 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 11,000  Dishonoured cheques 2,800  Credit sales 52,500    66,300 | Bad debts W/O 5000  Returns inwards 1600  Receipts 31,000  Discount allowed 3,400  Bal 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 2 000  Purchases 46 000  48 500  Less closing stock 1 500  49 000  G 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  300000  Expenses  Carriage outwards 12000  Bad debts 30000  Wages 25000  Rent 15000  Net profit 74000  156,000 | Net sales 300000    300000  Gross profit b/d 150000  Discount received 6000  156000  Net 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  Shs  Opening stock 40000  Add purchases 500000  COGAS 540000  Less closing stock 60000  COGS 480000  Gross 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 80000  Add purchases 320000  Goods available for sale 400000  Less closing stock 40000  Cost of sales 360000  Gross profit c/d 140000  500000 | Sales 500000  500000  Gross 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 June  2009 June 2  2009 June 10  2009 June 25  2009 June 28  2009 June 29 | Furniture A/C  Motor vehicle  (A record of opening balance of assets)  Furniture A/C  Mwema furniture Ltd  (Being a record of office furniture bought on credit from Mwema furniture Ltd)  Omwami garage A/C  C Motor vehicle A/C  (being a record of credit sale of motor vehicle to Omwami garage)  Motor vehicle A/C  Purchases  (Being a correction of an error of principle)  Classic academy A/C  Computer office  Equipment A/C  (Being a record of the computer to classic academy)  Goseta farm A/C  Tractor A/C  Train on disposal of old tractor  (Being a record of old tractor to Goseta farms at a profit) | G.L  G.L  G.L  G.L  G.L  G.L  G.L  G.L  G.L | 50,000  100,000  65,000  200,000  750,000  15,000  250,000 | 65,000  200,000  750,000  15,000  200,000  50,000 |

***2.***

***TOTAL DEBTORS ACCOUNT***

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

***3.***

***TOTAL CREDITORS ACCOUNT***

|  |  |
| --- | --- |
| ***DR*** | ***CR*** |
| Returns outwards 10200  Cash 590000  Discounts received 6000  Balance c/d 83600  689800 | Balance c/d 68000  Credit purchases 621800  689800  Balance 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 | sales  Kemunto  Bank  Manwori  Sales | 063  064  065  066 | C | P  3 200  P  660  P  3860 | 50 000  P  P  30 000  P  16 500  P  96 500 | P  76 800  150 000  P  226 800 |
|  |  |  |

***5. Cash payment journal***

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ***Date***  ***2009*** | ***particulars*** | ***Receipt number*** | ***Ledges folio*** | ***Discount received*** | ***cash*** | ***bank***  P |
| June 3  12  18  22  23  26 | Salary &wages  Omwabo  Cash  Furniture  Wages  drawings | 083  0656  734  801 | C | P  800  P  800 | P  39 200  24 000  5 000  P  68 200 | 101 500  P  30 000  P  85 000  P  216 500 |

***6. JAO TRADERS***

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

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

|  |  |
| --- | --- |
| ***DR*** | ***CR*** |
| Opening stock 60000  Add purchases 161000  Add carriage 11000  172000  Less returns out (25000) 147000  G.A.F.S 207000  Less closing stock (72000)  Cost of sales 135000  Gross profit c/d 46000  181000  Expenses  Discount allowed 2000  Salaries 20000  Tel charges 5000  Less prepaid 1000 4000  Water bills 2100  Add accrued 1300 3300  Electricity expenses 2000  Carriage out 10000  Insurance paid 1000  Dep on equil (10/100 x 125000) 12500    54800  Net loss b/d 800 | Sales 208000  Less returns in 27000    181,000  181000  Gross profit 46000  Discount rec 8000  Net 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 |
|  | March  31 | 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  Nyanamba  Onyancha  Obwocha  Ombaki |  |  | 1200  3000  2500  2700  6600  3300  19300 |

***SALES JOURNAL***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Date*** | ***Details*** | ***Invoice No.*** | ***Ledger folio*** | ***August*** |
| 2005 March 5  “ “ 5  “ “ 5  “ “ | Okero  Micheka  Omwega  Bundi  Tendu  Okero |  |  | 2000  4300  1500  850  630  900  10180 |

***PURCHASE RETURNS JOURNAL***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Date*** | ***Details*** | ***Invoice No.*** | ***Ledger folio*** | ***August*** |
| 2005 March 20  “ “ 20 | Obwocha  Onyancha |  |  | 250  700  950 |

***SALES RETURNS JOURNAL***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Date*** | ***Details*** | ***Invoice No.*** | ***Ledger folio*** | ***August*** |
| 2005 March 30  “ “ 30 | Bundi  Michieka |  |  | 150  130  280 |