

BOOKKEEPING

NOTES

FORM THREE



SINGLE ENTRY/ INCOMPLETE RECORD

Definition

Is the system where by a transaction is recorded in only one account or book. Single entry may be due to incomplete records or same of transaction are missing in the books of account.

- Is an account system which do not involve the double entry system
- Is that system of booking which do not follow the principle of double entry system.

ADVANTAGES OF SINGLE ENTRY.

- i. Difficult to prepare a trial balance if a transaction is recorded in single entry
- ii. Final account can not be prepared under single entry
- iii. The balance sheet is also difficult to prepare under single entry
- iv. Therefore because it is difficult to ascertain the profit and loss the statement of affairs should be prepared as well as statement of profit or loss in the business.

STATEMENT OF AFFAIRS

Is a statement which is prepared so as to ascertain the amount of capital at start or at close.

$$\text{Capital} = A - L$$

$$C = A - L$$

Therefore in the statement of affairs asset and liabilities are recorded.

STATEMENT OF PROFIT OR LOSS.

Is a statement prepared in order to calculate the profit or loss in the business.

The following items are normally recorded in the statement of profit or loss.

- Closing capital (capital at close).
- Drawings (stock).
- Introduced capital (additional capital).
- Opening capital (capital at start).

HOW TO PREPARE A STATEMENT OF AFFAIRS

The following steps should be followed when preparing statement of affairs.

1. Balance the cash book and verify correction of the cash book balance asset c/d.
2. Find out the total amount due from debtors.
3. Find out the value stock in trade by proper stock taking and valuation.
4. Find out the value of the bill receivable.
5. Find out the value of all other asset such as plant, machinery, furniture etc.
6. Find out the amount owing creditors
7. Find out if there are any other liabilities owing /outstanding not recorded In the ledger.
8. Arrange all above items in the form of balance sheet.

EXAMPLE 1

Mwajuma a trader kept his books of account on single entry basis the position of the business at 31st Dec 1985 was as follows

Freehold premises -----	10,000/=
Plant and machinery -----	6,000/=
Stock in trade -----	13,000/=
Sundry debtors -----	17,500/=
Sundry creditors -----	18,750/=
Cash at bank -----	35,000/=

At 1st January of that year his capital was 55,000/= during the year his drawings amounted to 5000/= and the sales of private car realized sh 2000/= which he paid into the bank to the credit of the business current account.

Required – prepare the statement of affairs showing the financial position of the business and fund the profit and loss.

Solution

DR STATEMENT OF AFFAIRS AS AT 31ST DEC 1985 CR

LIABILITIES	AMOUNT	ASSETS	AMOUNT
Sundry creditors	18750	Freehold premises	10,000
Capital (at close)	30750	Plant and machinery	6,000
		Stock	13000
		Sundry debtor	17500
		Cash at bank	3000
	49500		49500

DR STATEMENT OF PROFIT OR LOSS AT 31ST DEC 1985 CR

Closing capital	30,750
Add: drawings	5,000
	35,750
Less: introduced capital (additional capital)	2000
	33,750
Less: opening capital	(55000)
Net: loss	21,250

EXAMPLE 2

MOMOKO is the sole trader who does not keep his books on the double entry system from his records however the information is available.

	31 st march 1996	31 st march
1997		
Fixed asset		31,200/=
34,000/=		
Current asset		39,900/=
42,600/=		
Current liabilities		19,600/=
18,800/=		

During the year ending 31st march 1997 Momoko used his private

Banking account to purchase additional office furniture costing sh 3600/= and this was bought into his business. Also during the same period Momoko made drawings of sh 12800/= in cash and shs 600/= in goods (cost price).

Solution

STATEMENT OF AFFAIRS AS AT 31ST MARCH 1996

LIABILITIES	AMOUNT	ASSETS	AMOUNT
Current liabilities	19600	Fixed asset	31,200
Capital (at close)	51500	Current asset	39,900
	71,100		71,100

STATEMENT OF AFFAIRS AS AT 31ST MARCH 1997

LIABILITIES	AMOUNT	ASSETS	AMOUNT
Current liabilities	18,800	Fixed asset	34,000
Capital (at close)	57,800	Current asset	42,600
	76,600		76,600

STATEMENT OF PROFIT OR LOSS AT 31ST MARCH 1997

Closing capital	57,800
<u>Add</u> drawings	13,400
	71,200
<u>Less</u> introduced capital (additional capital)	3600
	67,600
<u>Less</u> opening capital	51500
Net profit	16100

Exercise 1

Paul maintain his account under his single entry book keeping method as at 1st January 1990 the balance of his asset and liabilities and at the end 30th Dec 1990.

	1 st Jan 1990	30 th Jan
1991		
Sundry creditors -----	15,000/=	85,000/=
Bank loan-----	21,000/=	3,000/=
Bank overdraft -----	5,000/=	
115000/=		
Freehold premises -----	45,000/=	45000/=
Fitting -----	10,000/=	25000/=
Motor vehicle -----	2500/=	35,000/=
Stock -----	105000/=	
203,000/=		
Sundry debtors -----	2500/=	25,000/=
Cash in hand -----	1500/=	7000/=

During the year 1990 his drawing remained at Tshs 2500/= per month 1st July 1990 he purchases fittings worth 15000/= his private source .

Your are required to prepare;

1. Statement of affairs as at 1st Jan 1990
2. Statement of affairs as at 31st Dec 1990
3. Statement of profit and loss for the year

NB ignore depreciation and provision for bad debts.

EXERCISE2

B. KANDA own the store his records are incomplete and you have been called into prepare his account you ascertain the following

At 1st Jan 1991

Stock -----	2100/=
Debtors -----	1300/=
Creditors -----	960/=
Rates prepaid -----	80/=
Motor van -----	1200/=
Cash at bank -----	900/=

At 31st Dec 1991

Stock -----	2240/=
Creditors -----	1000/=
Debtors -----	1040/=
Rates prepaid -----	96/=
Motor van -----	1000/=
Cash at bank -----	2344/=

Drawing during the year were Tshs 120/= per week and the legacy of Tshs 400/= received march 1991 had been paid into the business bank account

required

1. Draw up two statement showing

- Capital at January 1st 1991
- Capital at Dec 31st 1991.

1. Compile a statement showing the profit of the year ended 31st Dec 1991

STATEMENT OF AFFAIRS AS AT 1ST JAN 1991

LIABILITIES	AMOUNT	ASSETS	AMOUNT
creditors	18750	Motor van	1200
Capital	30750	Debtor	1300
		Cash at bank	900
		Rates prepaid	80
		Stock	2100
	5,580		5,580

STATEMENT OF AFFAIRS AS AT 31st DEC 1991

LIABILITIES	AMOUNT	ASSETS	AMOUNT
creditors	1000	Motor van	1000
Capital	5,720	Debtor	1,040
		Cash at bank	2,344
		Rates prepaid	96
		Stock	2240
	6,720		6,720

STATEMENT OF PROFIT OR LOSS AT 31ST DEC 1991

Closing capital	5720
<u>Add</u> drawings	6240
	119600
<u>Less</u> introduced capital (additional capital)	400
	11560
<u>Less</u> opening capital	4620
Net profit	6940

BALANCE SHEET AS AT 31ST DEC 1991

LIABILITIES	AMOUNT	ASSETS	AMOUNT
Capital	4620	Motor van	1000
<u>Add additional capital</u>	400	<u>Current asset</u>	
	5020	Debtor	1,040
<u>Add net profit</u>	6940	Cash at bank	2,344
	11960	Rates prepaid	96
<u>Less drawings</u>	6240	Stock	2240
	5720		
Creditors	1000		
	6,720		6,720

QUESTION

M. RUDEWA owns a store his records are incomplete and you have been called in to prepare his account you ascertain the following

At 1st Jan 1984

Stock ----- 4200/=

Debtors ----- 2600/=

Creditors ----- 1920=

Rates in advance----- 160/=

Motor vehicle ----- 2400/=

Cash at bank ----- 1800/=

At 31st Dec 1991

Stock -----	4480/=
Creditors -----	2000/=
Debtors -----	2080/=
Rates in advance -----	192/=
Motor vehicle -----	2000/=
Cash at bank -----	4688/=

Drawing during the year were shs 2400/= and the legacy of shs 800/= received march 1st 1984 had been paid into the business bank account.

REQUIRED

- 1. Draw up two statement showing
 - Net worth at the beginning of the year
 - Net worth at the end of the year
- 1. Compile a statement showing the profit of the year ended 31st Dec 1984

QUESTION

MR. MAWAZO has the following information for the year 2000

Capital at start ----- 3,800/=

Capital at close----- 33,290/=

Drawings per week ----- 800/=(cash)

Drawings per week ----- 250/=(goods)

He also introduce shs 5,000/= which he got from banza

Required :

To calculate his net profit or loss for the year 2000.

STATEMENT OF PROFIT OR LOSS AT 31ST DEC 2000

Closing capital		33,290
Add : - drawings (cash) 800x52	41,600	
-drawings (goods) 250x 52	13,000	
		54,600
		87,890
<u>Less</u> introduced capital (additional capital)		5,000
		92890
<u>Less</u> opening capital		3,800
Net profit		89090

CONVERSION OF SINGLE ENTRY TO DOUBLE ENTRY

The following are steps to be taken into a/c when converting single entry to double entry.

STEP 1: draw up the opening statement of affairs if it is not available and calculate the

Capital of the business

STEP 2: draw up receipts and payment (cash a/c) if a trader deals in cash during the year

Hence discover the balance of the cash in hand.

STEP 3: draw up total creditors account and hence find the purchases for the year

STEP 4: draw up the total debtor a/c and hence find the sales for the year

STEP 5: from the figure now available draw up a trading a/c profit and loss a/c and

Balance sheet.

DR	BANK A/C	CR
Balance b/d	1800	Suppliers 36,200
Customer	48,000	Salaries 3,800
Balance c/d	2,200	Rent and rates 1,600
		Light and heat 400
		General expenses 3,400
		Drawings 6,600
	52,000	52,000

EXAMPLE

Out standing balance

	31 st Dec 1981	31 st Dec 1982
Stock -----	4,000/=	5400/=
Trade debtors -----	6,000/=	6600/=
Creditors for expenses (light and heat) -----	500/=	150/=
Trade creditors -----	4,000/=	4200/=
Prepayment (rent and rates) -----	200/=	300/=
Fixed assets -----	3000/=	2700/=

You are required to prepare

1. Final account
2. Balance sheet

DR	DEBTORS A/C			CR
Balance b/d	6,000	Bank		48000
Credit sales	48600	Balance	c/d	6600
	54600			54600
Balance b/d	6600			

DR	CREDITORS A/C			CR
Bank	36200	Balance	b/d	4000
Balance c/d	4200	Credit purchases		36100
	40400			54600
		Balance	b/d	4200

DR	LIGHT AND HEAT A/C			CR
Bank c/d	400	Balance	b/d	500
Balance	150	Profit and loss		50
	550			550
		Balance	b/d	150

DR		RENT AND RATES A/C		CR
Balance				
b/d	200			1500
Bank	1600	Profit and loss	c/d	300
	1800	Balance		1800
Balance				
b/d	300			

DR		FIXED ASSET A/C		CR
Balance	b/d	3000	Depreciation (p& L A/c)	300
		3000	Balance c/d	2700
Balance	b/d	2700		3000

STATEMENT OF AFFAIRS AS AT 31st DEC 1991

LIABILITIES	AMOUNT	ASSETS	AMOUNT
creditors	4000	Debtors	6000
Creditors (light and heat)	500	Stock	4000
Capital	10500	Prepayment (rent)	200
		Bank (cash at bank)	1800
		Fixed asset	3000
	15000		15000

TRADING A/C AND PROFIT AND LOSS A/C FOR THE YEAR ENDEN 31st DEC 1982

Opening stock		4000	Sales	48600
Add purchases		36400		
Cost of goods available for sale		40400		
Less closing stock		5400		
Cost of goods sold		35000		
Gross profit	c/d	13600		
		48600		48600
Salaries		3800	b/d	13600
Rent and rates		1500		
General expenses		3400		
Depreciation (furniture)		300		
Lighting and heat		50		
Net profit	c/d	4550		
		13600		13600
			b/d	4550

FUTURE GENERATION

BALANCE SHEET AS AT 31ST DEC 1982

LIABILITIES	AMOUNT	ASSETS	AMOUNT
Capital	10500	<u>FIXED ASSET</u>	
Add net profit	4550	Sundries	2700
	15050	<u>Current assets</u>	
Less drawings	6600	Debtors	6600
	8450	Prepaid rent and rates	300
<u>Current liabilities</u>		stock	5400
Creditors	4200		
Light and heat	150		
Bank overdraft	2200		
	15000		
			15000

BOGASULU is a butcher keeping his book on single entry his balance sheet as per pared by his accountant at 31st Dec 1990 is as follows;

BALANCE SHEET AS AT 31ST DEC 1990

Fixed asset	30,000	Accumulated fund	40,000
Current assets		Loan	50,000
Stock	40,000	Current liabilities	
Debtors	60,000	Creditors	35,000
Unexpired insurance	6000	expenses	25000
Cash at bank	14000		
	150,000		150,000

He pays all his expenses by cheque and his taking and banked daily is bank statement at 31st Dec 1991 is as follows

DR	BANK A/C		CR
Receipts from debtors	130,000	Payment to creditors goods	80,000
Sundry receipts	16,000	Payment for expenses	30,000
		Wages	10,000
		Delivery van	20,000
		Electricity and water	3000

Debtor for the goods were 70,000/= goods unsold was valued at sh 50,000/= .Shs 10,000/= of the expenses was in expect of insurance in which shs 8000/= was unexpired.

Creditors for the goods amounted to 40,000/= the delivery van was bought on 1st January 1991 and is to be depreciate as 10% p.a on cost

You are required

1. The sales for the period
2. Find purchases made by the traders
3. Prepare his trading and loss
4. Balance sheet

DR		EXPENSES A/C		CR	
Bank	c/d	20,000	Balance b/d		25000
Balance		5000			25000
		25000			5000
			Balance b/d		

DR		INSURANCE A/C		CR	
Balance	b/d	6000	Profit and loss		8000
Bank		10,000	In advance	c/d	8000
		25000			25000
Balance b/d		8000			

DR		DEBTORS A/C		CR	
Balance	b/d	60000	Bank		130,000
Credit sales		140,000	In advance	c/d	70,000
		200,000			25000
Balance b/d		70,000			

DR		CREDITORS A/C		CR	
Bank		80,000	Balance	b/d	35000
Balance c/d		40,000	Credit purchase		85,000
		120,000			120,000
Balance b/d		85,000			

Depreciation 10% per annum for delivery van

$$\underline{20} \times 20,000 = 2000$$

100

DR		BANK A/C		CR	
Balance	b/d	140,000	Payment to creditors goods		80,000
Receipts from debtors		130,000	Payment for expenses		30,000
Sundry receipts		16,000	Wages		10,000
		160,000	Delivery van		20,000
			Electricity and water		3000
Balance b/d		17,000	Balance c/d		17,000
					160,000

EXERCISE

B.BIGUS had the following assets and liabilities on the dates shown

1st April 1974 31st march 1975

Premises -----	35,000/=	35,000/=
Furniture -----	6,000/=	5,300/=
Motor van -----	1,800/=	-
Stock in trade -----	6,280/=	
7,430/=		
Trade debtor -----	3,950/=	4,070/=
Trade creditor -----	7,960/=	9300/=
Loan from industry bank -----	1,200/=	-
Wages and salaries due -----	920/=	750/=
Prepaid rates -----	250/=	360/=
Rent received in advance -----	450/=	680/=

He maintain his accounting records on double entry system however he kept cash book the summary his cash transaction during the year was prepared by his book keeper

DR	CASH SUMMARY		CR
Balance b/d	4,380	Trade creditor	50,260
Trade debtors	61,310	Cash purchases	8,140
Cash sales	21,360	Rates and insurance	1,640
Rent received	6,200	Wages and salaries	8,320
Fresh capital	5,000	Transport	2,820
		Bank charges	150
		General expenses	7,270
		Interest from loan	600
		Loan repayment	10,000
		New motor van	3,000
		Drawings	3,600
		Balance c/d	2450
	98,250		98,250

The following additional information is also available:

1. Discount allowed during the year amounted to Tshs 1,230/= and discount received to 1360/=
2. During the year bigus took goods costing Tshs 500/= for his private use for which he didn't pay any thing to the business.
3. The new motor car was bought on 1st Jan 1995 both old and the new motor cars are subjected to annual depreciation on at 20% on book value.

Draw up bigus' trading and profit and loss account and his balance sheet on 31st march 1975
show all necessary workings

DR	TRADE DEBTORS A/C			CR
Balance b/d	3950	Cash		61310
Credit sales	62660	Discount allowed		1230
		Balance c/d		4070
	66610			66610
Balance b/d	4070			

TOTAL SALES = cash sales + credit sales

$$= 21360 + 62,660 = 84020$$

DR	TRADE CREDITORS A/C			CR
Cash	50260	Balance b/d		7960
Discount received	1360	Credit purchases		52960
Balance c/d	9,360			
	660920	Balance b/d		60920
				9,360

STATEMENT OF AFFAIRS AS AT 1ST APRIL 1974

LIABILITIES	AMOUNT	ASSETS	AMOUNT
creditors	7960	Debtors	35,000
Loan from industry	12000	Furniture	6000
Rent received	400	Motor car	1800
Wages and salaries	920	Stock	6280
capital	36,380	Debtor	3950
	57660	Prepaid rent	250
		Cash	4380
			57660

TOTAL PURCHASES = cash purchases + credit purchases

$$= 8140 + 52960 = 61100$$

DR	MOTOR VAN A/C			CR
Balance b/d	1800	Balance c/d	4,800	
1 ST Jan 1974 cash	3000		4,800	
	4,800	Balance b/d	3000	

FOR
FUTURE GENERATION

DR		FURNITURE A/C			CR	
Balance	b/d	6000	Depreciation Balance	c/d	700	
		6000			53,000	
		6000			6000	
Balance	c/d	53,000				

DR		WAGES AND SALARIES AC			CR	
Cash	c/d	8320	Balance Profit and loss	b/d	920	
Balance		750			8130	
		660920			60920	
			Balance	b/d	750	

DR		RATES & INSURANCE A/C			CR	
Balance	b/d	250	Profit and loss Balance	c/d	1530	
Cash		1640			360	
		1890			1890	
Balance	c/d	360				

DR		RENT RECEIVED A/C			CR	
Profit and loss	c/d	5970	Balance Cash	b/d	400	
Balance		680			6200	
		6650			6650	
			Balance	b/d	680	

QUALITY EDUCATION
FOR
FUTURE GENERATION

DR

LOAN FROM INDUSTRY CR

Cash		10,000	Balance	b/d	12,000
Balance	c/d	2000			
		12,000			12,000
			Balance	b/d	2000

TRADING A/C AND PROFIT AND LOSS A/C FOR THE YEAR ENDEN 31st
MARCH 1995

Opening stock		6280	Sales	84020
Add purchases				
61100				
Less drawings				
500		60600		
Cost of goods available for sale		66880		
Less closing stock		7430		
Cost of goods sold		59450		
Gross profit	c/d	24570		84020
		84020		
			Gross profit	
Wages and salaries		8150	b/d	24570
Discounted allowed		1230	Rent received	5920
Rates and insurance		1530	Discount received	1360
Transport		2820		
Bank charges		150		
General expenses		7270		
Interest from loan		600		
<u>Depreciation</u>				
Furniture		700		
Motor van (20%)		510		
Net profit	c/d	8890		31850
		31850		
			Net profit	b/d
				8890

QUALITY EDUCATION
FOR
FUTURE GENERATION

BALANCE SHEET AS AT 31ST DEC 1982

LIABILITIES		AMOUNT	ASSETS		AMOUNT
Capital	36330		FIXED ASSET		
Add additional capital	5000	41330	Furniture		5300
Add net profit		8890	Motor van	4800	
		50220	<u>Less depreciation</u>	510	4290
Less drawings		4100	Premises		35000
		8450	<u>Current asset</u>		
<u>Long term liabilities</u>					
Loan from industries		2000	Stock	7430	
<u>Current liabilities</u>					
Creditors		4200	Debtors	4070	
Rent received in advance		150	Cash	2450	
Wages and salaries due		750	Prepaid rates	360	
		58900			58900

ROSE buys goods on credit and sell them exclusively for immediate cash. She carries on her business from the market stall rented from the karagwe development corporation (KDC). She does not keep proper account but the following information has been collected from records with she has been made available.

	1 st march 1995	28 th Feb 1996
	Shs "00"	shs "00"
Stock-----	300	450
Creditor -----	180	70
Cash at bank -----	450	370
Payment to suppliers for stock during the year		
Payment to KDC for stall rent -----	3000	

February 1996 rent due but unpaid-----	550
Private drawings during the year -----	50
Cost of stock stolen but not covered by insurance -----	2000
Payment for wrapping papers etc -----	300
Wrapping papers account due but unpaid -----	5
Cash taking during the year -----	5510

It is known that all cash takings have been paid into the bank, and that all payment and withdrawals have been made by cheque. They have been no transaction other than those indicate above.

Required

Prepare Rose's trading and profit and loss account for the year ended 28th February 1996 and balance sheet as that date.

STATEMENT OF AFFAIRS AS AT 1ST APRIL 1974

LIABILITIES	AMOUNT	ASSETS	AMOUNT
creditors	18000	Debtors	30,000
Capital	57000	Cash at bank	45000
	75000		75000

DR TRADE CREDITORS A/C CR

Bank		300000	Balance b/d	18000
Balance	c/d	7000	Credit purchases	289,000
		307000		307000
			Balance b/d	7000

MANUFACTURING ACCOUNT

Business can be classified into two types, which are **merchandising** and **manufacturing**. Merchandising, this trading firm / business deals with the buying and selling of manufactured goods while manufacturing deals with the processing of Raw – materials into finished goods.

E.g. Food processing, cement making.

Manufacturing firm use labor, plant and equipment to convert Raw – materials to finished goods.

Both mechanizing and manufacturing firms required to prepare final account at the end of trading period to show whether they are making profit or loss.

In manufacturing firm, manufacturing account is prepared in addition to Trading, profit and loss A/C.

This account shows the cost of manufacturing goods (cost of production of completed goods).

THE FORMAT OF MANUFACTURING A/C:-

DR	MANUFACTURING A/C		CR
Direct material	xxxx	Production lost of complete goods	xxxx
Direct labor	xxxx		

Direct expenses	xxxx	
PRIME COST:-	xxxx	
Add: Over head exp.	xxxx	
Production cost	xxxx	
Add: Work in progress at start	xxxx	
Less: Work in progress at close	xxxx	
	xxxx	
		xxxx

DIRECT MATERIALS:-

These are all materials which can be traced (seen) in a single unit of a product.

Direct materials:-

Opening stock of Raw materials	xxxx
Add Purchases of raw materials	xxxx
Less material consumed	xxxx
	xxxx

DIRECT LABOR;

These are the cost of production which can be traced (seen) in a single unit of a product.

Example: Wages for a machine operator making a particular item.

DIRECT EXPENSES:-

These are the expenses which can be traced in a single unit of a product.

Example: Royalty, Patent, Trade mark etc

FACTORS OVERHEAD EXPENSES (INDIRECT COSTS).

Are those costs which occur in a single factory where production process is being done, but which cannot easily be traced in the manufactured of the product directly.

Example: Rent and Rates of a factory

Depreciation of plant and machinery

Factory power

Factory lighting

Factor maintenance

Depreciation of factory building and other expenses associated with manufacturing.

- Direct material + Direct labor + Direct expenses = PRIME COST
- Prime cost + overhead expenses = PRODUCTION COST

WORK IN PROGRESSIVE (W.I.P PROCESS)

These are party of finished goods of the production process continuing, we shall have:-

-Opening work in progress

-Closing work in progress.

Hence **Opening work in progress is added** to the total cost while closing **work in progress is deducted** to the total cost in order to get **TOTAL PRODUCTION COST**.

EXAMPLE:-

From the following information prepare manufacturing A/C for the year ended 31 Dec 2008.

1st Jan; stock of Raw materials.....8,000/=

31st Dec: Stock of Raw – material.....10,500/=

Jan; Work in progress..... 3,500/=

Dec.: Work in Progress..... 4,200/=

During the year:

Wages: Direct..... 39,600/=

Indirect..... 35,500/=

Purchases of Raw - material..... 87,000/=

Direct expenses..... 1,400/=

Lubricants..... 3,000/=

Rent of factory..... 7,200/=

Fuel and power..... 9,900/=

Depreciation of factory plant + machine..... 4,200/=

Internal transport expenses..... 1,800/=

Insurance of a factory building + plant..... 1,500/=

General factory expenses..... 3,300/=

Solution:-

DR

MANUFACTURING A/C

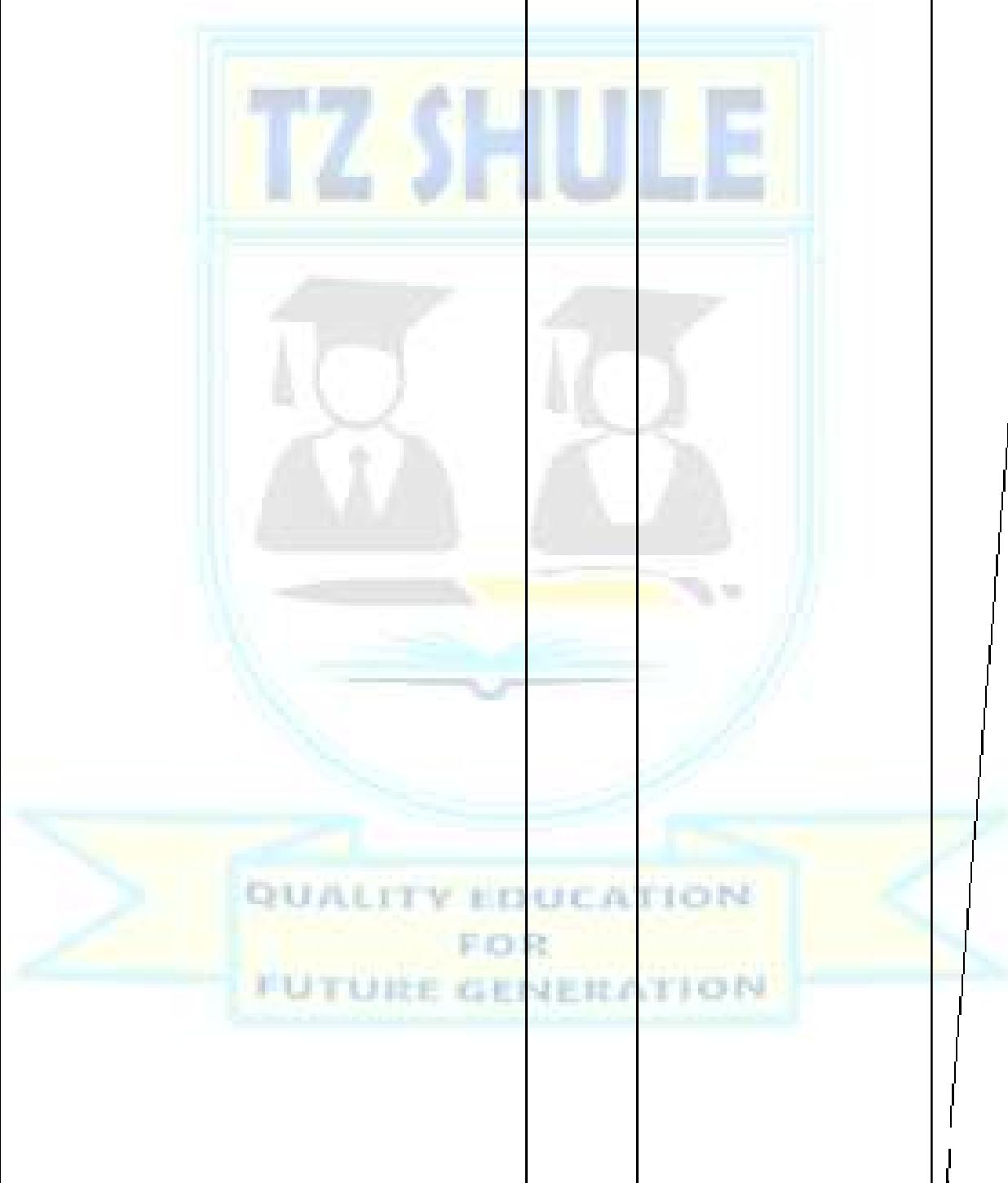
CR

Opening stock of R.M	8000	Production cost	181,200
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Add: Purchases of R.M

87,000 | (Transferred to Trading)



Less: Closing stock of R.M		95,000
Cost of Raw material used		10,500
Direct wages		84,500
Direct expenses		39,600
PRIME COST		1,400
<u>Overhead Expenses:-</u>		125,500
Indirect wages	25,500	
Lubricants	3,000	
Rent of factory	7,200	
Fuel + power	9,900	
Dept of plant + Mach.	4,200	
Internal transport	1,800	
Insurance	1,500	
General factory expenses	<u>3,300</u>	56,400
Add: W.I.P at start		181,900
		3,500
Less: W.I.P at close		185,400
		4,200
		181,200
		181,200

After the manufacturing account you are required to prepare Trading, Profit and Loss Account

EXPENSES:-

(a) **ADMINISTRATION EXPENSES**

These consists expenses such as Manager Salaries, legal and accountancy charges, the depreciation of accounting machinery and secretarial salaries.

(b) **SELLING AND DISTRIBUTION EXPENSES**

They include expenses such as carriage outwards, salesmen salaries and commission, advertising and display expenses.

NOTE:-

1. Prime cost factory overhead expenses are charged to the manufacturing A/C and are collectively known as PRODUCTION COST.
2. Administrative and selling distribution expenses are charged in the trading, profit
And loss A/C .

A portion of expenses into factory overhead and profit and loss expenses.

For example: Rent paid May comprise part of manufacturing and part for office.

Hence you must apportion these expenses into two parts of Manufacturing and office:-

Example: Rent paid 10,000: $\frac{3}{4}$ of building is used for factory $\frac{1}{4}$ is used for office.

Thus can be calculated as:-

$$\text{Manufacturing} = \frac{3}{4} \times 10,000 = 7,500$$

$$\text{Office} = \frac{1}{4} \times 10,000 = 2,500$$

EXAMPLE:-

	DR	CR
Stock of Raw – material 1/1/2007		21,000/=
Stock of Finished goods 1/1/2007		38,900/=
Work in progress 1/1/ 2007		13,500/=
Wages (Direct 180,000 factory indirect 145,000)		325,000/=
Royalties	3,500/=	
Carriage in wards of (R.M)	3,500/=	
Purchases of Raw – material		370,000/=

Productive machinery (cost 280,000)	230,000/=
Accounting Machinery (cost 20,000)	12,000/=
General factory expenses	31,000/=
Lighting	7,500/=
Factor power	13,700/=
Administrative salaries	44,000/=
Sales men salaries	30,000/=
Commission on Sales	11,500/=
Rent	12,000/=
Insurance	4,200/=
General administration exp.	13,400/=
Bank charges	2,300/=
Discount Allowed	4,800/=
Carriage out wards	5,900/=
Sales	1,000,000/=
Debtors & Creditors	142,300/=
Bank	56,800/=
Cash	1,500/=
Drawings	20,000/=
Capital as at 1 st Jan 2007	296,800/=

NOTE: at 31/12/2007

1. Stock of Raw – material	24,000/=
Finished good	40,000/=

Work in progress 15,000/=

2. Lighting, Rent and Insurance are to be appointed:

Factory 5/6, administration 1/6

3. Depreciation on productive and accounting machinery at 10% p.a on cost.

WORKING:--

Lighting = 7500

Insurance = 4,200

Factory 5/6 x 7,500=6,250

Factory 5/6 x 4,200=3,500

Office 1/6 x 7500 = 1250

Office 1/6 x 4,200=700

Rent = 12,000

Depreciation of A/C machinery

Factory 5/6 x 12000 = 10,000

20000 x 10/100 = 2000

Office 1/6 x 12000 = 2,000

Depreciation of productive mach.

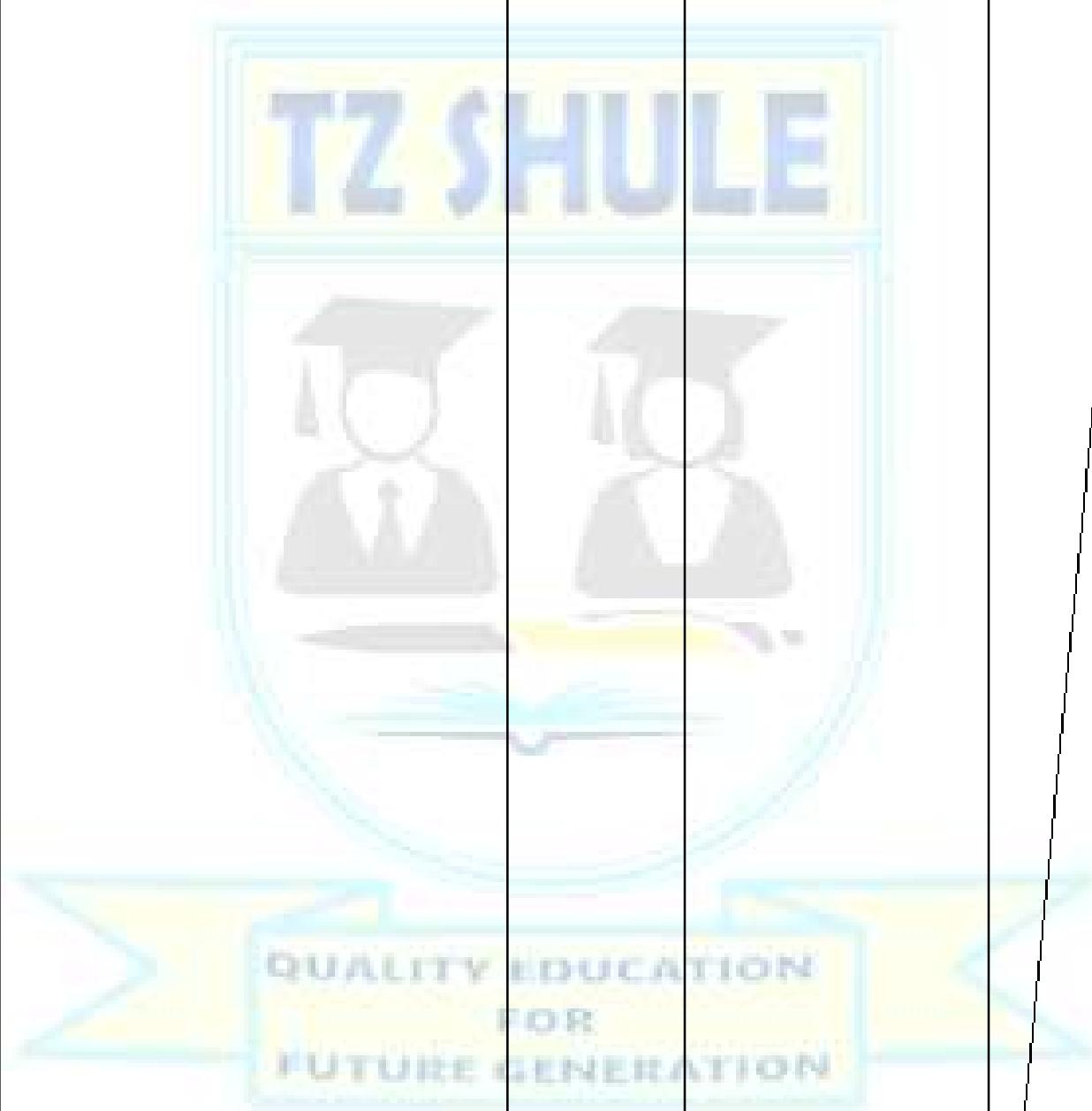
280,000 x 10/100 = 28,000

MANUFACTURING TRADING PROFITS & LOSS A/C FOR YEAR ENDED 2007

Opening Stock of R.M	21,000	Production cost	793,450
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Add: Purchases of R.M 370,000

(Transferred to trading
A/C)



Add: carriage in ward	<u>3,500</u>	373,500	
		394,500	
Less: Closing stock of R.M		24,000	
		370,500	
Direct labor		180,000	
Royalties		7,000	
PRIME COST		557,500	
Overhead Exp:			
Lighting	6,250		
Rent	10,000		
Insurance	3,500		
Factory power	13,700		
General factory Exp.	31,000		
Wages	145,000		
Depr: Productive mach.	<u>28,000</u>	237,450	
		786,950	
Add: W.I.P at start		13,500	
		808,450	
Less: W.I.P at close		15,000	
		793,450	
Opening stock of F.G		38,900	Sales
Add: Production cost		793,450	1,000,000
		832,350	
Less: Closing stock of F.G		40,000	
Cost of sales		792,350	

Gross profit c/d		207,650		
		1,000,000		1,000,000
Administration Exp:			Gross profit b/d	207,650
Lighting	1,250			
Rent	2,000			
Insurance	700			
Depart; A/C of Pro.	2,000			
Admin. Salaries	44,000			
General admin. Exp.	<u>13,400</u>	63,350		
Selling + Distribution Exp.				
Sales men salary	30,000			
Commission and sales	11,500			
Discount allowed	4,800			
Carriage out ward	<u>5,900</u>	52,200		
Financial charge:				
Bank charge		2,300		
Net Profit		89,800		
		207,650		207,650

BALANCE SHEET AS AT 2007

		<u>F' ASSETS</u>		
Capital	296,800	Productive mach.		230,000
Add: Net profit	<u>89,800</u>	Less: Deptt: <u>28,000</u>		202,000
	386,600			
Less: Drawing	<u>20,000</u>	Accounting mach.	12,000	10,000
	366,600	Less: Deptt: <u>2,000</u>		

C'LIABILITIES		C'ASSETS:-	
Creditors	125,000	Debtors	142,300
		Stock:	
		Raw - material	24,000
		W.I.P	1,500
		Finished Good	40,000
	491,600	Bank	56,800
		Cash	1,500
			491,600

MARKET VALUE

Sometime manufacturing form would like to know the gross profit it would get to the goods has been brought in their finished state.

A manufacturing account is subjected to the limitation that the respective amount of gross profit which are distributed to the manufacturing side or selling side of the firm are not known.

Techniques are sometimes used to bring out this addition information.

By this method the cost of which would have been involve if the goods has been bought in their finished state of being manufactured by the firm is brought into A/C.

This is credited to the manufacturing A/C and debited to the Trading A/C so as to throw up two figures of gross profit instead of one. The net profit in profit and loss A/C will remain us affected.

From the previous example:

Prepare final A/C. The marketing value is 950,000

DR.	MANUFACTURING A/C	CR
Production cost	793,450	Market value
Gross profit	156,550	950,000

950,000	950,000

DR

TRADING A/C

CR

Opening stock	38,900	Sales	1,000,000
Market value	950,000		
	988,900		
(-) Closing stock	40,000		
Cost of sales	948,900		
Gross profit	51,100		
	1,000,000		
			1,000,000

DR

PROFIT & LOSS A/C

CR

		Gross profit:-	
		On manufacturing	156,550
		On Trading	51,100

Exercise.1

Prepare manufacture account and trading account for the year ended 31st Dec 1983 from the following balance;

Stock of raw materials 1st January 1983 ----- 1,000/=

Raw materials purchased ----- 10,000/=

Carriage of purchases of raw materials - ----- 200/=

Stock of raw materials 31st Dec 1980-----2,000/=
 Factory wages-----500/=
 Manufacture light and heat -----600/=
 Partly finished goods at 1st January 1980-----7,000/=
 Partly of finished goods at 31st Dec 1980-----200
 Stock of finished goods at 1st January 1980-----8500/=
 Sales -----9500/=
 Purchases -----500/=
 Stock of finished goods 31st Dec 1980-----2500/=
 Factory rent -----400/=

DR	MANUFACTURING A/C FOR THE YEAR ENDED 31 ST DEC 1999			CR
Opening stock of raw materials	1000	Cost of production		17300
<u>Add purchases of raw materials</u>	<u>10000</u>	Transferred to trading a/c		
Cost of raw materials available	11000			
Less closing stock of raw materials	2000			
Cost of raw materials consumed	9000			
Add direct expenses				
Factory wages	500			
Prime cost	9500			
<u>Add indirect expenses /overhead expenses</u>				
Manufacture lighting and fitting	600			
Factory rent	400			
Gross work cost of production	10500			
Add work in progress at start	7000			
	17500			
Less work in progress at close	200			
Cost of production	17300			17300

DR	TRADING A/C FOR THE YEAR ENDED 31 ST DEC 1990		CR
Opening stock	8500	Sales	9500
Add cost of production	17300		
	25800	Gross loss	1450
Add purchases	500		
Carriage inward	200		
Cost of goods available for sale	26500		
Less closing stock	2500		
Cost of goods sold	24000		2400

The trial balance has been extracted from the books of SAMWELI

TRIAL BALANCE 31ST DEC 1997

S/N	PARTICULAR	DR	CR
1	Stock at 1 st Jan 1997		
	Raw materials	2100	
	Finished goods	3890	
	Work in progress	1350	
2	Wages (direct 1800/= factory indirect 14500)	32,500	
3	Royalty	700	
4	Carriage inward (raw materials)	350	
5	Purchases of raw materials	37,000	
6	Productive machine (at cost 25,000)	23,000	
7	Accounting machine (at cost 2000)	1,200	
8	General factory expenses	3,100	
9	Lighting and heat	750	
10	Factory power	1,370	
11	Administrative salary	4,400	
12	Salesmen's salaries	3,000	
13	Rates and rent	1,200	
14	Commission on sales	1,150	
15	Insurance	420	
16	General factory expenses	1340	
17	Bank charges	230	
18	Discount allowed	480	
19	Carriage outward	590	
20	Sales		100,000
21	Debtors and creditors	14,230	12,500
22	Bank	5,680	
23	Cash	150	
24	Capital 1 st Jan 1997 and drawings	2000	29680
		142,180	142,180

NOTES AT 31ST DEC 1997

1. Stock

Raw materials -----2,400/=

Finished goods -----4,000/=

Work in progress -----1,500/=

1. Lighting and heating and rates ,rent and insurances are to be apportioned factory
 $\frac{5}{6}$ administrative $\frac{1}{6}$
2. Depreciation on productive and accounting machinery 10% p.a on cost.

Required

1. Manufacturing account
2. Trading account
3. Balance sheet

Workings

Depreciation 10% per annum for productive machine at cost

$$(10/100) \times 25,000 = 2500$$

DR provision for depreciation (productive machine) A/C				DR
Balance	c/d	4500	Balance	b/d
			TO manufacture a/c	2000
		4500		2500
			Balance	4500
			c/d	4500

Depreciation 10% per annum for accounting machine at cost

$$(10/100) \times 2000= 200$$

DR provision for depreciation (accounting machine) A/C			CR
Balance	c/d	1000	Balance b/d
		1000	TO manufacture a/c
			1000
			Balance c/d 1000

DR MANUFACTURING A/C FOR THE YEAR ENDED 31st DEC 1997

Opening stock of raw materials	2,100	Cost of production
<u>Add purchases of raw materials</u>	37,000	Transferred to trading a/c
Add carriage of raw materials	350	
Cost of raw materials available	39,450	
Less closing stock of raw materials	2,400	
Cost of raw materials used	37,050	
<u>Add direct expenses</u>		
Manufacture wages	1800	
Prime cost	38850	
<u>Add indirect expenses</u>		
Royalty	700	
Wages	14500	
Rent and rates 5/6	1000	
Insurance 5/6	350	
General expenses factory	3100	
Factory power	1370	
Depreciation		
Productive machine	2500	
Accounting machine	200	
Lighting and heat 5/6	625	
Gross work cost of production	63195	
Add work in progress at start	1350	
Less work in progress at close	64545	
COST PRODUCTION	1500	
	63045	

QUALITY EDUCATION
FOR
FUTURE GENERATION

TRADING A/C AND PROFIT AND LOSS A/C FOR THE YEAR ENDEN 30TH JULY 1999

Opening stock	3890	Sales	100,000
Add cost of production	63045		
Cost of goods available for sale	66935		
Less closing stock	4000		
Cost of goods sold	62935		
Add wages (1/4)	16200		
Cost of sales	79135		
Gross profit	c/d		
	100,000		100,000
Salesmen's Salaries	3000	Gross profit	b/d
Administrative salary	4400		20865
Rates and rent	200		
Commission on sales	1150		
Insurance	70		
Light and heat	125		
General expenses	1340		
Bank charges	230		
Discount allowed	480		
Carriage out ward	590		
Net profit	c/d		
	9280		1295200
		Net profit	b/d
			9280

BALANCE SHEET AS AT 31ST Dec 1999

Assets	shs	shs	Liabilities	Tshs	Tshs
<u>Fixed asset</u>			Capital	29680	
Productive machine	25000		Add net profit	9280	
Less depreciation	4500	20500		38960	
Accounting machine	2000		Less drawings	2000	36960
Less depreciation	1000	1000	<u>Current liabilities</u>		
<u>Current assets</u>			Creditors		12500
Stock – raw materials	2400				
Finished goods	4000				
Work in progress	1500	7900			
Bank		5680			
Cash		150			
debtors		14230			
		49460			
				46460	

JOURNAL PROPER

Is the book of original entry used to record transactions that cannot be entered in any of the subsidiary books such as sales returns day book purchases returns day book and cash book.

THE ESSENTIAL INFORMATION OF JOURNAL PROPER

- a) Date
- b) The name of the account debited
- c) The name of the account credited
- d) The amount
- e) Narration

Narration

Is a short explanation of the nature of the transaction which should always be given before the journal entry is closed.

Date	Particular	Dr	Cr
	Account to be debited	xx	
	Account to be credited		xx
	Being explanation for the concerning transaction		

USES OF THE JOURNAL PROPER

The following are the uses of the journal proper;

- A. Purchase of fixed assets on credit
- B. Sales of fixed assets on credit

C. Opening entries

E. Correction of errors

A. PURCHASES OF FIXED ASSETS ON CREDIT

Example

On 1st September 1995, motor van has been purchased from Wanga Tshs. 140.00 on credit.

JOURNAL PROPER

Date	Particular	Dr	Cr
1 st Sept 1995	Motor van a/c Wanga a/c <input type="checkbox"/> Being motor van has been Purchased from wanga Tshs 140,000 on credit.	140,000	140,000

B. SALES OF FIXED ASSET ON CREDIT

Example

On 1st Sept 1995 computer was sold to Jerome on credit for Tshs 50,000.

JOURNAL PROPER

Date	Particular	Dr	Cr
------	------------	----	----

1 st Sept 1995	Jerome a/c	50,000	
	Computer a/c		50,000
□ Being computer sold to Jerome on credit 50,000.			

C. OPENING ENTRIES

Example

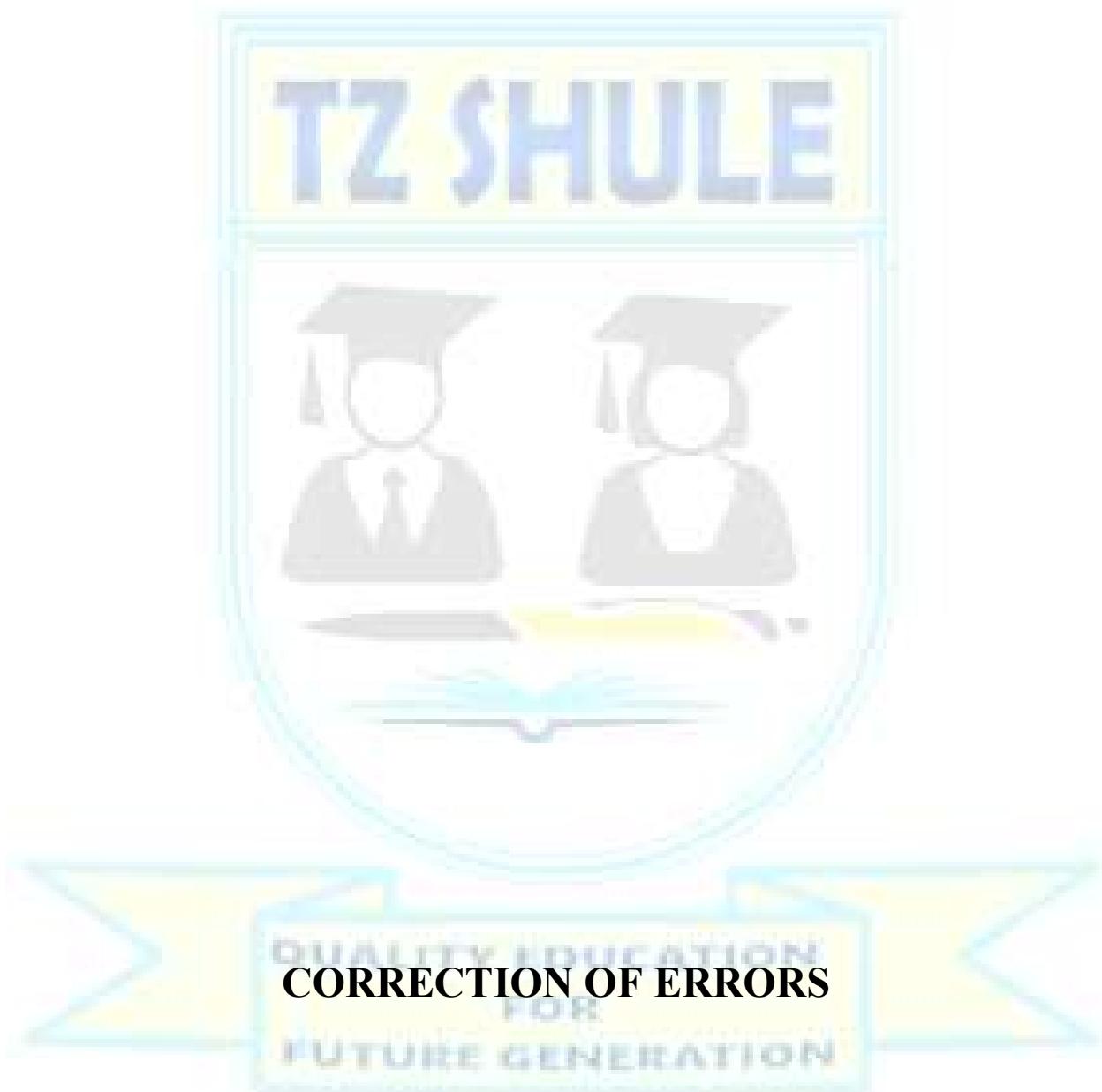
Fixed assets 5,000 Stock 1,000

Cash in hand 3,000 Debtors 10,000

Cash at bank 2,000 Creditors 10,000

JOURNAL PROPER

Date	Particular	F	Dr	Cr
	Fixed assets		5,000	
	cash in hand		3,000	
	cash at bank		2,000	
	debtors		1,000	
	creditors			10,000
	capital			11,000
	Being Assets and Liabilities as at that date		21,000	21,000



When entries are made in the books of accounts, some wrong posting or calculation are possible and these are known as **ERRORS**.

These errors are divided into two types, namely:-

- a) Errors which do not affect the trial balance or errors which would not affect the agreement of the trial Balance totals.
- b) Errors which affect the agreement of the trial balance total.

ERRORS WHICH DO NOT AFFECT TRIAL BALANCE.

Those errors which would not affect the agreement of trial balance totals are as follows;—

- I. Errors of omission.
- II. Errors of commission.
- III. Errors of principle
- IV. Errors of original entry
- V. Errors of compensating
- VI. Errors of complete reversal of entry

ERRORS OF OMISSION

These are errors that occur when transactions are completely omitted from the book of accounts.

EXAMPLE:-

- a) The sales of goods Tshs.120, 000 to George have been completely omitted from the book.
- b) Payment of wages by cash Tshs. 200,000 not recorded in the books of account.

Solution

JOURNAL ENTRIES

DATE	DETAILS	F	DR	CR
	a. George A/C Sales A/C -being the sales of goods Tshs.120,000 to George		120,000	120,000

	has been completely omitted from the books			
b.	Cash A/C wages A/C		200,000	
	-Being payment of wages by cash Tshs.200,000			200,000
	Not recorded in the books of accounts.			

ERRORS OF COMMISSION

These are errors that occur when a transaction is posted to the wrong personal account of the same class.

Example

A purchase of goods sh. 500,000 from C. Simon was entered in errors in the account of C. Simpson.

JOURNAL ENTRIES

DATE	DETAILS	F	DR	CR
	C. Simpson A/C C. Simon A/C -being purchases of goods sh. 500,000 from C. Simon was entered in errors in C.Simpson		500,000	500,000

ERRORS OF PRINCIPLE

These are errors occurred when double entry enter in correct a/c but incorrect figure.

Example:-

A purchase of machine Tshs 200,000 had been posted to the purchases account.

JOURNAL ENTRIES

DATE	DETAILS	F	DR	CR
	Machine A/C purchases A/C -Being purchases of machine sh. 200,000 had Been posted to purchase account.		200,000	200,000

ERROR OF ORIGINAL ENTRY

These are errors that occur when double entry enter in correct account but incorrect figure.

Example

- a) Goods bought by cash Tshs 9000 enters in the book of accounts as cash 9500.
- b) A sale of Tshs 980 to A Smart was entered in the book as 890.

JOURNAL ENTRIES

DATE	PARTICULAR	F	DR	CR
	Cash a/c Purchase a/c -Being goods brought by cash sh.9000 entered in the book of accounts as 9500		500	500

	Smart a/c				
	Sales a/c		90		
	-Being sale of goods Tshs 980 entered in the book of accounts as 890			90	

COMPENSATING ERRORS

These are errors which cancel each other one credit side and another debit side over-casted or under-cast by the same amount.

Example

- a) The sales account is over cast by 40,000 as also in the wages a/c
- b) Capital account under cast by 1000 as also in the purchases account.

JOURNAL ENTRIES

DATE	PARTICULARS	F	DR	CR
	Sales a/c Wages a/c -Being sales and wages accounts over cast by sh.40,000		40,000	40,000
	Purchase a/c			1000

Capital a/c		1000	
-Being purchases and capital account			
under cast by sh.1,000			

ERRORS OF COMPLETE REVERSAL OF ENTRY

These are errors where by the transactions are completely reversed i.e. the account to be debited is credited and the account to be credited is debited

Example

- a) Purchase of goods from JJ trader with 50000/= was debited as JJ traders and credited to purchases account
- b) Payment of cash 3000/= to Dickson was entered on the receipts side of the cash account and credited to Dickson account

JOURNAL ENTRY

DATE	PARTICULARS	F	DR	CR
	Purchases a/c J.J traders a/c -Being purchases of goods from JJ trader's Tshs. 50,000 was debited to JJ traders and credited to purchases account		100,000	100,000
	Dickson a/c Cash a/c		6,000	

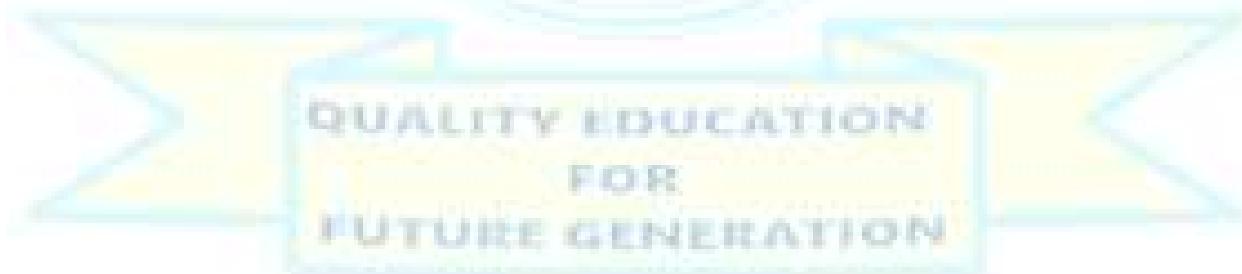
	-Being a payment of cash 3000 to Dickson was entered on receipts side of the cash account and credited to account			6,000
--	---	--	--	-------

Example

Give an example of each of the different types of errors which are not revealed by a trial balance.

Show the journal entries necessary to correct the following errors

- a) A sale of goods for Tshs 412 to T more had been entered in T mone's account.
- b) The purchase of machine on credit from J frank for Tshs 619 had been completely omitted from our books.
- c) The purchases of computer for Tshs 550 had been entered in error in the office expenses account.
- d) A sale of Tshs 120 to B wood had been entered in the books both debit and credit as Tshs 102.



JOURNAL PROPER

DATE	PARTICULARS	DR [TSHS]	CR [TSHS]
	T more a/c T mone's a/c Being a sale of goods for Tshs 412 to T more had been entered in T mone's account.	412	412
	Machine a/c J Frank a/c Being purchase of a machine on credit from J. frank Tshs 619 had been completely omitted from the books.	619	619
	Computer a/c Office expense a/c Being the purchase of a computer Tshs 550 had been entered in error in expenses a/c.	550	550
	B wood a/c Sales a/c Being sales to B wood Tshs 120 was debited and credited as Tshs 102.	18	18

EXERCISE

To show the journal entries to correct the following errors

- a) A purchase of Tshs 699 on credit from K. wood had been entered in H. wood a/c
- b) A cheque of sh 189 paid for advertisement had been entered in the cash column instead of the bank column.

- c) Sales of goods Tshs 443 on credit to B Gounod had been entered in error in B.Gouton's account.
- d) Purchases of goods on credit from K Isaac Tshs 89 entered on two places as Tshs 99.
- e) Cash paid to MoozeTshs 89 entered on the debit side of the cash and credit side of mooze a/c.
- f) A sale of fittings Tshs 500 had entered in sales a/c.

Purchases of goods Tshs 428 had been entered in error in the fitting a/c.

JOURNAL PROPER

DATE	PARTICULAR	DR [TSHS]	CR [TSHS]
	a. H. wood a/c k. wood a/c being a purchase of Tshs 699 on credit from k. wood had been entered in H. wood's account	699	699
	b. Cash a/c Bank a/c Being a chequeTshs 189 paid for advertisement had been entered in the cash column instead of in the bank column	189	189
	c. B Gounod a/c B .Gorton's a/c Being sale of goods Tshs 443 on credit to B Goudon had been entered in error in B Gouton's account	443	443

	d. K.Isaac a/c Purchase a/c Being purchase of goods on credit k Isaac Tshs 89 entered on two places in error as shs 99	10	10
	e. Moose a/c Cash a/c Being cash paid to MooseTshs 89 entered on the debit side of the cash and credit side of Moose	178	178
	f. Sales a/c Fitting a/c Being a sale of fitting Tshs 500 had entered in sales account.	500	500
	g. Bank a/c Cash a/c Being cash withdraw from bank Tshs 100 had been entered in the cash column on credit.	100	100
	h. Purchase a/c Fitting a/c Being purchase of goods Tshs 428 had been entered in error in the fitting account.	428	428

B. ERRORS WHICH AFFECT THE TRIAL BALANCE.

These are the errors revealed by the disagreement of the trial balance, if the trial balance fails to agree and the error cannot be located, the book keeping may decide to let the trial balance to stay unbalanced latter when the error is located an entry should be made on the side which has smaller total in the trial balance.

SUSPENSE ACCOUNT

Is a temporary account used to record the difference in the trial balance. A suspense account is opened and the difference in the trial balance is recorded. The entry should be made on the side which has smaller total in the trial balance.

Example:-

If the debit side of the trial balance exceeds the credit column by 400 the suspense account will be opened with the following entry for Tshs 400 on the credit side.

DR	SUSPENSE	A/C	CR
		Difference from the trial balance	400

The following are the common errors which affect the trial balance;

- a) Miss- costing in subsidiary books
- b) Posting on the wrong side of the account
- c) Posting the wrong amount
- d) Failure to post an entry from the subsidiary book
- e) Mistake in balance the account

The rectification for the above errors will consist of one entry in the account to be corrected and corresponding entry in the suspense account.

Example

Your book keeper extracted a trial balance on 31 December 1994 which failed to agree by Tshs 330 a shortage on credit side of the trial balance, a suspense account was opened for the difference.

In January 1995 the following errors made in 1994 were found.

- 1) Sales day book had been under cast by 100
- 2) Sales of Tshs 250 to J contell had been debited in error to J.conchean account
- 3) Rent account had been under stated by Tshs 70
- 4) Discount received account had been under cast by Tshs 300
- 5) The sales of the motor vehicle at book value had been credited in error to sales account Tshs 360

You are required;:-

- Show the journal entries necessary to correct the error
- Show up the suspense account after the errors described have been corrected
- If the net profit had been previously calculated at shs7900 for the year ended 31 December 1994, Show the calculation of credited profit.

Solution

DATE	PARTICULAR	DR [TSHS]	CR[TSHS]
	1. Suspense a/c	100	
	Sale a/c		100

	Being sale a/c under cost by Tshs 100		
	2. J. contrell a/c J. Conchean a/c	250	250
	Being sales of Tshs 250 to J contel had been debited in error to J. concbean		
	3. Rent a/c Suspense a/c	70	70
	Being rent of Tshs 70 under cost		
	4. Suspense a/c Discount received a/c -Being discount received account had been under cost by TTshs 300	300	300
	5. Sale a/c Motor vehicle a/c	360	360
	Being sales of the motor vehicle of stock value had been created in error to sales account Tshs 360		

DR	SUSPENSE A/C	CR
sales	100	Difference from the trial balance 400 330
Discount received	300	Rent 70
	400	400

STATEMENT OF CORRECTED NET PROFIT

Net profit for the year		Xxxx
Add: sales under cost	Xx	
Returns inward over cost	Xx	
Purchases over cost	Xx	
Expenses over cost	Xx	
Income under cost	xx	xxxx
less: Sales over cost	Xx	Xxxx
Returns inwards under cost	Xx	
Purchases under cost	Xx	
Expenses under cost	Xx	
Income over cost	Xx	xxxx
Corrected net profit		Xxxx

EXERCISE

You have extracted a trial balance and draw up accounts for the year ended 31st December 1996. There was a shortage of Tshs 292 on the credit side of the trial balance, a suspense account being opened for that amount.

During 1997 the following errors made were located.

- a) Tsh55 received from sales of office equipment has been entered in the sales account.
- b) Purchases day book had been over cost by Tshs 60
- c) A private purchase of Tshs 115 had been included in the business purchases.
- d) Bank charges Tshs 38 entered in the cash book has not been posted to the bank charges account.
- e) A sale of goods to B. cross Tshs 690 was correctly entered in the sales book but entered in the personal account as Tshs 960.

Required:-

- Show the requisite journal entries to correct the errors
- Write the suspense account showing the correction of the errors
- The net profit originally calculated for 1996 was Tshs 11,370 show your calculation of the correct figure.

Solution

DATE	PARTICULARS	DR [TSHS]	CR[TSHS]
	Sales a/c Office equipment a/c -Being Tshs 55 received from sales of office equipment has	55	55

	been entered in the sales account		
	Suspense a/c	60	
	Purchase a/c		
	-Being purchase day book had been over cost by Tshs 60	60	
	Drawings a/c		
	Purchase a/c	115	
	-Being a private purchase of Tshs 115 had been included in the business Purchases	115	
	Bank charges a/c		
	Suspense a/c	38	
	-Being bank charges sh 38 entered in the cash book have not been posted to the bank charges account	38	
5.	Suspense a/c		
	B. cross a/c		
	-Being a sale of goods to B. cross Tshs 690 was correctly entered in the sales book but entered in the personal account as Tshs 960	270	270

DR	SUSPENSE A/C	CR
sales	60	Difference from the trial balance 292
Discount received	270	bank charges 38
	330	330

STATEMENT OF CORRECTED NET PROFIT

	DR	CR
Net profit for the year		7900
Add: sales under-cast		
Discount received under-cast	100	
	300	400
less: rent under-cast		8,300
sales overcast	70	
	360	430
corrected net profit		7870

EXERCISE

- 1) On 30th 1994 the credit side of the trial balance of Lugamuza exceeded debit side by Tshs 20,000 and was placed in suspense account but later on 30th December 1994 the following errors were dissolved.
- Cash paid to ujiji 10,000/= was debited to ujiji account as Tshs 1,000
 - Rent income 2,430 was entered in rent expenses as a debit Tshs 3,240/=
 - Purchase of 14,500 from Maria was credited to Morini as Tshs 15,400
 - A debit sale of 15,050 to hosena was only entered in the sales account only.
 - A sale of 26,800/= to Jangii was debited to Jangiii as Tshs 26,800
 - Sales day book had been under cast by Tshs 1,620.

Required

- Show suspense account after the error had been corrected
- Show journal entries to correct the error.

Solution

(a) Suspense account

DR	SUSPENSE A/C		
CR			
Difference from the trial balance		20,000	ujiji
Balance		810	hosena
Rent income		720	
Jangii		900	
Sales		1,620	
		24,050	
			24,050

(b) Journal entries

DATE	PARTICULAR	DR	CR
	Ujiji a/c Suspense a/c -Being cash paid to ujiji 10,00/= was debited to ujiji account as 1000=/	9000	9000
	Suspense a/c Rent income a/c -Being rent income 2430 was entered as rent expenses as a debit 3240=/	810	810

	Suspense a/c Maria a/c -Being purchase of 14500 from Maria was credited to morini as 15400	1800	1800
	Suspense a/c Jangii a/c -Being a sale of 26800/= to jangii was debited to jangii as 26080/=	720	720
f	Hossena a/c Suspense a/c -Being a debit sale of 15050 to Hossena was only entered in the sales account only -suspenses a/c sales a/c being sales day book under casted	15,050 1620	15,050 1620

DEPRECIATION OF FIXED ASSETS-1

DEPRECIATION

Definition.

Is the decrease in value of assets or is the fall of value of Assets.

What factors causes Depreciation.

- 1) **Physical deterioration** or Tear and Wear, caused by sun, wind, duff resting, or frequent use of an asset and other weather element.
- 2) **Economic factors.** Asset becomes outdated even through it is in good physical condition.
- 3) **Time factors.** Physical economic factors caused by out dated or fashion out or style.
- 4) **Depletion factors.** Natural resources, mining's, oil wells.
- 5) **Amortization factors.** Introduce Goodwill, trademarks, copyrights.

METHODS OF CALCULATING DEPRECIATION.

There are three method of calculating Depreciation, These are:-

- 1) Straight line method/equal installment/ cost price.
- 2) Diminishing balance method or declining OR reducing balance method.
- 3) Revaluation.

1. STRAIGHT LINE METHOD.

Equal amount of an asset charged each year for Depreciation.

OR

Using this method, certain percentage of the original cost of the asset is taken in a year.

The money amount is the depreciation for the years and the cost of the fixed asset less the total depreciation is equal to the **net book value**.

Example.

A machine is purchased for TSHS 6,000 on 1 June 2000. It is to be depreciation by the straight line method at 10% each year. The firm financial year end at 31 December.

Calculation of Depreciation.

$$=\text{cost price} \times 10/100 = 600$$

The depreciation for each year is 600.

Cost price at 1st January 2000	6,000
less: Depreciation for Dec2000	600
	5,400
Depreciation for	
less: Dec2001	600
	4,800
Depreciation for	
less: Dec2002	600
Net book value at 31/12/2002	4,200

2. DIMINISHING / REDUCING BALANCE METHOD.

Amount of Depreciation charged according to the book value of the assets.

With this method a certain percentage of the money reduced (or diminishing) balance of start of each year is taken as the depreciation for the year.

Example.

A machine is purchased for Tshs 6000 on 1st January 1991. It is to be depreciation by the reducing balance method at 12% each year. The firm financial years end 31st December.

The machines will depreciate follows.

Cost at 1st 1991	6,000
Less: Depreciate for 1991 (12% of 6000)	720
Book of values at 31st Dec 1991	5,280
Less: Depreciation for 1995(12% of 5280)	634
Book of value 31st Dec 1992	4,646
Less: Depreciation 1993 (12% of 4646)	558
Book of value of 31 Dec 1993	4,088

NOTE.

The reducing balances method provides decreasing amount of depreciation each year in the second year the amount is less than in first in the third year it is less than the second year and so on.

3. REVALUATION METHOD OF DEPRECIATION.

The two previous method of calculation depreciation applied a certain percentage each year either to the cost of asset (straight line method) or to the reduced balance.

A third method for calculating depreciation is to value the fixed assets each year and the result fall in values during the year is the amount of depreciation for that year.

Example.

Office equipment is bought for Tshs 2,000 on 1st January 1995 it is devalued as follows.

31st December 1995	Tshs 1,600
31st December 1996	Tshs 1,350
31st December 1997	Tshs 1,000

Therefore depreciation amount will be; - for 1995Tshs 400

1996Tshs 250

1997Tshs 350

NOTE.

The revaluation method is often used for low cost fixed assets such as stock of work store tools or small items of office equipments which are frequently added during the year end.

Other methods may include the following;-

METHODS OF RECORDING FOR DEPRECIATION

A. NEW METHOD/ MODERN METHOD.

-Always fixed assets shown at cost prices remain constant fixed.

- Amount of depreciation accumulated to provision for depreciation a/c.
- Only amount of depreciation for current charged to profit or loss a/c.
- Always fixed assets shown at cost price.

B. OLD METHOD.

Example.

A machine was purchased for Tshs 2,000 on 1st January 1991. It is to be depreciated by the straight line method at 10% each for three years..

DR MACHINERY			CR				
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
1-Jan-91	cash		2,000	31-Jan-91	Depreciation		200
			2,000	31-Dec-91	Balance c/d		1,800
1-Jan-92	Balance b/d		1,800	31-Dec-92	Depreciation		200
			1,800	31-Dec-92	Balance c/d		1,600
1-Jan-93	Balance b/d		1,600	31-Dec-93	Depreciation		200
			1,600	31-Dec-93	Balance c/d		1,400
1-Jan-	Balance b/d		1,400				

DR MACHINERY DEPRECIATION CR
A/C

DATE	DET AILS	F	AMO UNT	DAT E	DETAILS	F	AMO UNT
31-Jan-91	machinery		200	31-Jan-91	profit and loss a/c		200
31-Dec-92	machinery		200	31-Dec-92	profit and loss a/c		200
31-Dec-93	machinery		200	31-Dec-93	profit and loss a/c		200

DR EXTRACT PROFIT AND LOSS CR
A/C

31-Jan-91	machinery depreciation	20	0
31-Dec-92	machinery depreciation	20	0
31-Dec-93	machinery depreciation	20	0

EXERCISE

1994 bought motor van costing 2,000,000 depreciation is to be charged at the rate of 5% per annum using straight line method for five years respectively.

MOTOR VAN			
DR			CR
Date	Particulars	folio	Amount
Jan-94	Cash		2,000,000
			2,000,000
Jan-95	balance b/d		1,975,000
			1,975,000
Jan-96	balance b/d		1,950,000
			1,950,000
Jan-97	balance b/d		1,925,000
			1,925,000
Jan-98	balance b/d		1,900,000
			1,900,000
1/12/1999	balance b/d		1,875,000
			1,875,000

MOTOR VAN DEPRECIATION A/C			
DR			CR
Date	Particulars	f	Amount
31/12/1994	motor van		25000
	To P&L		25000

31/12/1995	motor van	25000	31/12/1995	To P&L	25000
31/12/1996	motor van	25000	31/12/1996	To P&L	25000
31/12/1997	motor van	25000	31/12/1997	To P&L	25000
31/12/1998	motor van	25000	31/12/1998	To P&L	25000

EXTRACTED PROFIT AND LOSS A/C FOR THE YEAR ENDED DEC 1994-1999

DATE	PARTICULAR	F	AMOUNT	DATE	PARTICULAR	F	AMOUNT
31/12/1994	Motor Van Depreciation		<u>25,000</u>				
31/12/1995	Motor Van Depreciation		<u>25,000</u>				
31/12/1996	Motor Van Depreciation		<u>25,000</u>				
31/12/1997	Motor Van Depreciation		<u>25,000</u>				
31/12/1998	Motor Van Depreciation		<u>25,000</u>				

EXTRACTED BALANCE SHEET AS AT 31st DEC

<u>LIABILITIES</u>		<u>ASSETS</u>			
		<u>FIXED ASSET</u>			
		1994	motor van	2000000	
			Less. Depreciation	25000	1975
		1995	motor van	1975000	
			Less. Depreciation	25000	1950
		1996	motor van	1950000	
			Less. Depreciation	25000	1925
		1997	motor van	1925000	
			Less. Depreciation	25000	1900
		1998	motor van	1900000	
			Less. Depreciation	25000	187

Example 2

A motor vehicle was bought on 1st January 1990 at cash price of 400,000. The company decide to depreciate the vehicle by 15% per annum using diminishing balance method for four years.

You are required to show relevant A/C and extracted balance sheet for four years.

WORKING:-

Motor vehicle at cost	400,000
Less depreciation 31/12/90 – (400000 15/100)	60,000
Balance of motor vehicle at book value	340,000
Less depreciation 31/12/1991 (340,000 115/100)	51,000
Balance of motor vehicle at book value	289,000
Less depreciation 31/12/1992 (289000 15/100)	43,350
Balance of motor vehicle at book value	245,650
Less depreciation 31/12/1993 (245650 15/100)	36,848
Balance of motor vehicle at book value.	208,802

DR

MOTOR VEHICLE		A/C	CR				
Date	particulars	f	Amount	Date	particulars	f	amount
1/1/1990	cash		400,000	31/12/1990	Depreciation		60,000
			400,000	31/12/1990	balance c/d		340,000
1/1/1991	balance b/d		340,000	31/12/1991	Depreciation		51,000
			340,000	31/12/1991	balance c/d		289,000

1/1/1992	balance b/d		289,000	31/12/1992	Depreciation		43,350
			289,000	31/12/1992	balance c/d		245,650
			289,000				289,000
Jan-93	balance b/d		285,650	31/12/1993	Depreciation		36,848
			285,650	31/12/1993	balance c/d		208,802
			545,650				545,650
31-Jan	balance b/d		208,802				

**MOTOR VEHICLE
DEPRECIATION**

DR	MOTOR VEHICLE DEPRECIATION			A/C	CR		
Date	particular	f	amount	date	particulars	f	amount
31/12/1990	motor vehicle		60000	31/12/1990	To P&L		60,000
31/12/1991	motor vehicle		51000	31/12/1991	To P&L		51,000
31/12/1992	motor vehicle		43350	31/12/1992	To P&L		43,350
31/12/1993	motor vehicle		36848	31/12/1993	To P&L		36,848

QUALITY EDUCATION
FOR
FUTURE GENERATION

**DR
A/C**

EXTRACT PROFIT AND LOSS

CR

31/12/1990	machinery depreciation	60,000	
31/12/1991	machinery depreciation	51,000	
31/12/1992	machinery depreciation	43,350	
31/12/1993	machinery depreciation	36,848	

EXTRACTED BALANCE SHEET AS AT 31STDEC.

<u>LIABILITIES</u>	<u>ASSET</u>	
	<u>FIXED</u>	
	<u>ASSET</u>	
	motor	
	vehicles 400000	
	less	
	depreciation 60000	340000
	motor	
	vehicles 340000	
	less	
	depreciation 51000	289000
	motor	
	vehicles 289000	
	less	
	depreciation 43350	245650
	motor	
	vehicles 245650	
	less	
	depreciation 36,848	208,800

EXERCISE

The general Emma has PLANT AND MACHINE as on asset bought at 30th June 1995 for cash 700,000 came to you and ask you to help him to show the depreciate of that asset in relevant account statement . The depreciation method is reducing balance method at not of 20% for four years.

WORKING

PLANT AND MACHINE at cost		700,000
Less depreciation 31/12/1995 ($700,000 \times 20/100 \times \frac{1}{2}$)		70,000
Balance of machine at book value		630,000
Less depreciation 31/12/1996 ($630,000 \times 20/100 \times \frac{1}{2}$)		63,000
Balance of machine and plant at the book value		567,000
Less depreciation 31/12/1997 ($567,000 \times 20/100 \times \frac{1}{2}$)		56,700
Balance of plant and machine at book value		510,300
Less depreciation 31/12/1998 ($510,300 \times 20/100 \times \frac{1}{2}$)		51,030
Balance plant and machine of book value		459,270

A/C	CR	DR	PLANT AND MACHINE		
Date	Particulars	amount	dates	particulars	f
1/6/1995	cash	700000	31/12/1995	Depreciation	70,000
			31/6/95	balance c/d	126,000
1/7/1996	balance b/d	700,000			100,800
		630000	31/07/1996	Depreciation	126,000
1/8/1997	balance b/d	630000	31/07/1996	balance c/d	504,000
		504,000	31/08/1997	depreciation	630,000
1/9/1998	balance b/d	504,000	31/08/1997	balance c/d	100,800
		567,000	31/9/98	Depreciation	403,200
		403,200	31/9/98	balance c/d	504,000
				Depreciation	80,640
				balance c/d	322,560
					403,200

DR DEPRECIATION FOR PLANT AND MACHINE

A/C

CR

Date	particulars	Amount	Date	Particulars	f	Amount
31/6/95	Plant and machines	70,000	31/12/1995	To p&L a/c		70,000
31/07/1996	Plant and machines	126,000	31/07/1996	To p&L a/c		126,000
31/08/1997	Plant and machines	100,800	31/08/1997	To p&L a/c		100,800
31/9/98	Plant and machines	80,640	31/09/1998	To p&L a/c		80,640
			-			

DR EXTRACT PROFIT AND LOSS ACCOUNT ASSET FOR THE YEAR ENDED 31 07 1995 C

31/6/95	Depreciation Plant machine	700,000	
31/07/96	depreciation Plant machine	126,000	
31/08/98	depreciation Plant machine	100,800	
31/9/99	depreciating Plant machine	80,640	

EXTRACTED BALANCE SHEET AS AT 1995

LIABILITIES	<u>ASSETS</u>		
	<u>FIXED ASSETS</u>		
	1995	Plant and machine	700,000
		less: depreciation	70,000
	1996	Plant and machine	630,000
		less: depreciation	126,000
	1997	Plant and machine	504,000
		less: depreciation	100,800
	1998	Plant and machine	403,200
		less: depreciation	51,030
			322,560

TZ SHULE

QUIZ

On 1/1/1989 bought furniture costing 150,000 depreciation to be at the rate of 13 1/3 % per annum using straight line method for three years.

DR FURNITURE A/C CR

DATE	PARTICULARS	AMOUNT	DATE	PARTICULARS	AMOUNT
1/1/1989	cash	150,000	31/12/1989	depreciation	20,000
		150,000	31/12/1989	balance c/d	130,000
1/1/1990	balance b/d	130,000	31/12/1990	depreciation	20,000
		130,000	31/12/1990	balance c/d	110,000
1/1/1991	balance b/d	110,000	31/12/1991	depreciation	20,000
		110,000	21/12/1991	balance c/d	90,000
1.1/92	balance b/d	90,000			110,000
					90,000

DR DEPRECIATION OF FURNITURE A/C CR

Date	F	particulars	Amount	date	particulars	f	amount
31/12/1989		furniture	20,000	31/12/1989	P&L A/C		20,000

31/12/1990	furniture	20,000	31/12/1990	P&L A/C	20,000
31/12/1991	furniture	20,000	31/12/1991	P&L A/C	20,000
31/12/1992	furniture	20,000	31/12/1992	P&L. A/C	20000

DR PROFIT AND LOSS ACCOUNT ASSET FOR THE YEAR ENDED 31 12 1989 CR

31/12/1989	Depreciation furniture	20,000	
31/12/1990	Depreciation furniture	20,000	
31/12/1991	Depreciation furniture	20,000	
31/12/1992	Depreciating furniture	20,000	

BALANCE SHEET AS AT 31 12 1989

LIABILITIES		ASSETS		
		<u>FIXED ASSETS</u>		
		1989	FURNITURE	150,000
			less: Depreciation	20,000
		1990	FURNITURE	130,000
			less: Depreciation	20,000
		1991	FURNITURE	110,000
			less: Depreciation	20,000
				90,000

TZ SHULE

DEPRECIATION OF FIXED ASSETS-2

THE PROVISION FOR DEPRECIATION

SPECIMEN QUESTION

On 1st January 1998 a company purchased a motor van of cost of Tshs 160,000. It was decided on that date to provide for depreciation on the van at the rate of 25% per annum using straight line method. Show the relevant entries in the company's books for the first three years. Show also balance sheet extracts.

DR LEDGER MOTOR VAN A/C				CR		
Date	particulars	Amount	Date	particulars	f	Amount
1/1/1998	cash	160,000	31/12/1998	balance c/d		160,000
1/1/1999	balance	160,000	31/12/1999	balance c/d		160,000
1/1/2000	balance	160,000	31/12/2000	balance c/d		160,000
1/1/2001	balance	160,000				

DR PROVISION DEPRECIATION OF MOTOR VAN A/C				CR		
Date	Particulars	amount	Date	particulars	f	Amount
31/12/1998	balance c/d	40,000	31/12/1998	P&L		40,000
31/12/1999	balance c/d	80,000	31/12/1999	balance b/d		40,000
		80,000	31/12/1999	P&L		40,000
31/12/2001	balance c/d	120,000	1/1/2000	balance b/d		80,000
		120,000	31/12/2000	P&L		40,000
			1/1/2001	balance b/d		120,000
						120,000

DR PROFIT AND LOSS ACCOUNT ASSET FOR THE YEAR ENDED 31DEC. CR

31/12/1998	Motor prov.Depreciation	40,000	
31/12/1999	Motor prov.Depreciation	40,000	
31/12/2000	Motor prov.Depreciation	40,000	

BALANCE SHEET AS AT 31DEC.

LIABILITIES	<u>ASSETS</u>		
	<u>FIXED ASSETS</u>		
	1998	Motor van	160,000
		less: depreciation	40,000
	1999	Motor van	160,000
		less: depreciation	80,000
	2000	Motor van	160,000
		less: depreciation	120,000

MODERN METHOD

Again we will use previous example. Machines 6,000 on 1st January 1991 and being depreciated at 10% each year using the diminishing balance method for the first three years.

Required

- (i) Machinery A/C
- (ii) Provision for depreciation
- (iii) Profit and loss A/C
- (iv) Extracted balance sheet

WORKING.

Machinery at cost 1991	6,000
Less depreciation 6000 10/100	600
Net book value for 31/12/1991	5,400
Less depreciation 1992 – 5400 10/100	540
Net book for 31/12/1992	4,860
Less depreciation 1993 4860 10/100	486
Net book value for 31/12/1993	4,374

DR	MACHINERY A/C				CR		
Date	particulars	f	amount	Date	particulars	f	amount
1/1/1991	cash		6000	31/12/1991	balance c/d		6000
1/1/1992	balance b/d		6000	31/12/1992	balance c/d		6000
1/1/1993	balance b/d		6000	31/12/1993	balance c/d		6000
1/1/1994	balance b/d		6000				

DR PROVISION FOR DEPRECIATION A/C CR

Date	particulars	amount	Date	particulars	amount
31/12/1991	Balance c/d	600	31/12/1991	profit & loss A/C	600
Dec-92	Balance c/d	1140	1/1/1992	balance b/d	600
		1140	31/12/1992	profit & loss	540
		1628	1/1/1993	balance b/d	1140
31/12/1993	balance c/d	1626	31/12/1993	profit & loss	486
		1626	1/1/1994	balance b/d	1626
					1626

DR PROFIT AND LOSS ACCOUNT ASSET FOR THE YEAR ENDED 31DEC. CR

31/12/1991	prov.Depreciation	600	
31/12/1992	prov.Depreciation	540	
31/1993	prov.Depreciation	486	

BALANCE SHEET AS AT 31ST DEC

LIABILITIES	ASSETS		
	FIXED ASSETS		
	1991	MACHINE	6,000
		less: Depreciation	600
			5,400
	1992	MACHINE	6,000
		less: Depreciation	1,140
			4,860
	1993	MACHINE	6,000
		less: Depreciation	1,628
			4,374

EXAMPLE

Mwanamali and Bwana Fukara , they purchase motor vehicle for bread delivery cost Tshs 900,000 come to you to help them to depreciate the asset by both method where will be kept four years and then will be disposed for an estimated amount of Tshs 100,000 . For the reducing balance method a percentage figures of 50%.

Formula:-

$$\text{Depreciation} = \frac{\text{cost of Asset} - \text{scrap value/disposal value}}{\text{Number of years}}$$

$$\frac{900,000 - 100,000}{4} = 800,000/4 = 200,000$$

Therefore accumulated depreciation is 200,000/=

Workings:-

STRAIGHT LINE METHOD		REDUCING BALANCE METHOD	
Motor vehicle	900,000	motor van	900,000
less depreciation 1st year	200,000	less depreciation	450,000
net book value	700,000	net book value	450,000
less depreciation 2nd year	200,000	less Depreciation	225,000
net book value	500,000	net book value	225,000
less depreciation 3rd year	200,000	less Depreciation	112,500
net book value	300,000	net book value	112,500
less depreciation 4th year	200,000	less Depreciation	56,250
net book value	100,000		55,250

DR

MOTOR VEHICLE

A/C

CR

Date	particulars	f	amount	Date	particulars	f	Amount
1/1	cash		900,000	31/12	balance c/d		900,000
1/1	balance b/d		900,000	31/12	balance c/d		900,000
1/1	balance b/d		900,000	31/12	balance c/d		900,000
1/1	balance b/d		900,000	31/12	balance c/d		900,000

DR

ACCUMULATED DEPRECIATION A/C

CR

Date	particulars	f	amount	Date	particulars	f	amount
31-Dec	balance c/d		200,000	31-Dec	profit & loss		200,000

31-Dec	balance c/d		400,000	1 ST JAN	balance b/d		200,000
			400,000	31-Dec	profit & loss		200,000
31-Dec	balance c/d		600,000	1 ST JAN	balance b/d		400,000
			600,000	31-Dec	profit & loss		400,000
31-Dec	balance c/d		600,000	1 ST JAN	balance b/d		200,000
			800,000	31-Dec	profit & loss		600,000
			800,000	1 ST JAN	balance b/d		600,000
				31-Dec	profit & loss		200,000
				1 ST JAN	balance b/d		800,000
							800,000

DR PROFIT AND LOSS ACCOUNT ASSET FOR THE YEAR ENDED 31DEC. CR

31/12	prov.Depreciation	200,000	
31/12	prov.Depreciation	200,000	
31/12	prov.Depreciation	200,000	

BALANCE SHEET AS AT 31DEC.

LIABILITIES	ASSETS
	<u>FIXED ASSETS</u>
	Motor vehicle 900,000

	less: depreciation	200,000	700,000
	Motor vehicle	<u>900,000</u>	
	less: depreciation	400,000	500,000
	Motor vehicle	<u>900,000</u>	
	less: depreciation	600,000	300,000
	Motor vehicle	<u>900,000</u>	
	less: depreciation		100,000
			<u>800,000</u>

DIMINISHING METHOD.

DR		PROVISION FOR DEPRECIATION A/C				CR	
Date	Particular	f	Amount	Date	Particulars	F	Amount
	balance c/d		450,000	31-Dec	profit & loss A/C		450,000
	balance c/d		675000	31-Dec	balance b/d		450,000
			675,000	31-Dec	profit & loss A/C		225,000
	balance c/d		787500	31-Dec	balance b/d		675,000
			787,500	31-Dec	profit & loss A/C		112,500
	balance c/d		843,750	31-Dec	balance b/d		787,500
				31-Dec	profit & loss A/C		56,250

		843,750			
		<hr/>			
	31-Dec		balance b/d		843,750

PROFIT & LOSS A/C FOR THE YEAR

ENDED 31/12

DR			CR
31-Dec	provision depreciation	450,000	
31-Dec	provision depreciation	225,000	
31-Dec	provision depreciation	112,500	
31-Dec	provision depreciation	56,250	
		<hr/>	

EXTRACTED BALANCE SHEET FOR THE YEARS ENDED 31/12

<u>LIABILITIES</u>	<u>ASSETS</u>		
	<u>FIXED ASSETS</u>		
	motor vehicle	900,000	
	less: provision depreciation	450,000	450,000
	motor vehicle	<hr/> 900,000	
	less: provision depreciation	675,000	225,000
	motor vehicle	<hr/> 900,000	
	less: provision depreciation	787,500	112,500
	motor vehicle	<hr/> 900,000	
	less: provision depreciation	843,750	56250

DISPOSAL OF ASSET

This is when the firm decides to resale the asset after depreciation or due to some certain conditions.

The firm may decide to resale the asset after they have depreciated because the assets are no longer productive.

Example

A firm bought a machine for Tshs 500,000. it is expected to be used for 4 years and then sold for Tshs 90,000 . Prepare the a/c show the effect.

WORKINGS:-

Depreciation	= <u>Cost of Asset - scrap value/disposal value</u>
Number of the year	

$$= 410,000/4 = 102,500$$

The depreciation for each year is 102,500.

MACHINE ACCOUNT			
DR			CR
Date	Particulars	f	Amount
year 1	cash		500,000
year 2	balance b/d		500,000
year 3	balance b/d		500,000
year 4	balance b/d		500,000
			Disposal

DR PROVISION FOR DEPRECIATION A/C CR

Date	Particulars	f	Amount	Date	Particular	f	Amount
31-Dec	balance c/d balance c/d balance c/d Disposal		102,500	31/12/1991	profit & loss A/C		102,500
31-Dec			205,000	31/12/1992	balance b/d		102,500
31-Dec			205,000	31/12/1992	profit & loss A/C		102,500
31-Dec			307,500	31/12/1993	balance b/d		205,000
31-Dec			307,500	31/12/1993	profit & loss A/C		102,000
31-Dec			410,000	31/12/1994	balance b/d		307,500
31-Dec			410,000	31/12/1994	profit & loss A/C		102,500
							410,000

DR

DISPOSAL OF MACHINE ACCOUNT

CR

Date	Particular	f	Amount	Date	Particular	f	Amount
31/12/1994	machine		500,000	31/12/1994	provision depreciation		410
			500,000		cash		90
							500

TZ SHULE



ADJUSTMENT

YEAR END ADJUSTMENT

Principles of Book keeping requires that all transactions made should be recorded at the time made should be recorded at the time made regardless the payment made immediately or paid later. But when the Final a/c prepared at the end of the Trading period there are some expenses not paid full or paid but not related to that trading period also the same to the income.

Therefore, before prepare Final a/c in order to find the real/actual profit(Net profit) and lastly the financial position of the business may need adjustments.

Therefore we have to adjust at the end of the trading period the main adjustments use the following outstanding expenses which should be paid by the firm (Accrued expenses).

- Outstanding receipt for the firm [occurred receipt]
- Payment in advance to the firm [prepaid gains]

- Payment in advance by the firm [prepaid gains]
- Payment in advance by the firm [prepaid expenses]

A. EXPENSES DUE BUT NOT PAID.

Known by the names of **Accrued, owing, arrears, outstanding.**

These are expenses that should be paid within the trading period but not yet paid in that period; these expenses should be added to the already paid expenses in order to come to the total expenses for the period.

The amount is transferred to the profit and loss account

Examples

Mr. x leaves a house for Mr. z for 12,000/= for a month 1st January 1990, at the end of the year Mr. x receives an amount 120,000 by cheque.

$$120,000 \times 12 = 144,000$$

$$\text{Less: cheque} = \underline{120,000}$$

$$\text{Out standing} = 24000$$

DR			RENT A/C			CR	
Date	Particular	f	Amount	Date	Particular	f	Amount
31/12/1990	bank		120,000	31/12/1990	profit and loss a/c		144,000
31/12/1990	owing c/d		24,000				
			144,000				144,000
				1/1/1991	owing b/d		24,000

DR PROFIT AND LOSS A/C (EXTRACT) CR

DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
31 st Dec	Rent		120,000				
	<i>Add: owing</i>		24,000				

**EXTRACT
BALANCE SHEET AS AT 31ST DEC
1990**

<u>LIABILITIES</u>	<u>ASSETS.</u>
<u>current liabilities</u>	
Outstanding expenses	24,000

B. PREPAID EXPENSES/ PAID IN ADVANCE

These are payments made during the present period in respect of expenses which extended beyond the accounting period. Expenses like Insurance, rent and so on are most common under this.

Expenses paid in advance these are time period expenses hence where the amount are not yet fully used up the balance part are treated as assets to be carried forward to the next accounting period.

Cash book will show these payments in full but as part of the money so paid not yet utilized by the firm.

Example

Expenses paid for the advertising charge was 20,000shs at 31.12.1992 but part of it which is 1500 is for the year 1993.

DR ADVERTISING CHARGES A/C CR

Date	Particular	f	Amount	Date	Particular	f	Amount
31/12/1992	Cash		20,000	31/12/1992	profit and loss a/c		15,000
				31/12/1992	Prepaid c/d		5,000
1/1/1993	Prepaid b/d		20,000				20,000
			5,000				

DR PROFIT AND LOSS A/C (EXTRACT) CR

DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
31 st Dec	Advertising		10,000				
	less:prepaid		5,000				
			15,000				

(EXTRACT) BALANCE SHEET AS AT 31ST DEC 1990

<u>LIABILITIES</u>	<u>ASSETS.</u>
	<u>Current assets</u> Prepaid advertising 5,000

C. INCOME DUE BUT NOT YET RECEIVES [OUTSTANDING RECEIPT]

These are the gain that should be received within the trading period but not yet received in the period, the total amount to be received transferred to profit and loss account and amount not yet received to the balance sheet

Example

Commission to be received for the year was 36,000 but on 31st Dec 1990 only 24000/= cash received

DR COMMISSION RECEIVED A/C CR.

Date	Particular	f	Amount	Date	Particular	f	Amount
31/12/1990	profit and loss a/c		36,000	31/12/1990	Cash		24,000
			36,000		balance c/d		12,000
1/1/1993	Balance b/d		12,000				36,000

DR PROFIT AND LOSS A/C (EXTRACT) CR

		31,Dec commission rec. Add: arrears	24,000 12,000 36,000
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(EXTRACT) BALANCE SHEET AS

AT....

LIABILITIES	CURRENT ASSETS	ASSETS

	Commission rec. Outstanding	12,000
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D. INCOME RECEIVED IN ADVANCE | PREPAID GAIN OR INCOME

These are receipts recovered during the present period but belong to the following trading period.

The amount received in advance is subtracted from the amount received and the amount remaining to be transferred to the profit and loss account.

The amount received in advance is recorded to the balance sheet

Example

During the trading period ended on 21st July 1990 the amount received was Tshs 48,000 but only 40,000 is for the year ended 1990.

DR RENT RECEIVED A/C CR

Date	Particular	f	Amount	Date	Particular	f	Amount
31/12/1990	profit and loss a/c		40,000	31/12/1990	Cash		48,000
	balance c/d		8,000				48,000
			48,000				48,000
				1/1/1991	Balance b/d		8,000

DR PROFIT AND LOSS A/C (EXTRACT) CR

DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
				31 st Dec	Rent received		48,000
					Less: Prepared		8,000
							40,000

**EXTRACT
BALANCE SHEET AS AT 31ST DEC
1990**

<u>LIABILITIES</u>	<u>ASSETS.</u>
<u>current liabilities</u> Rent received prepaid	8,000

Example

Rent is payable at 60,000 and rates 40,000 p.a are payable by installment, the following information is available for the year ended 31st December 1990.

At 1st Jan 1990 rent had been prepaid Tshs 10,000 where as rates owed were Tshs 40,000 during 1990.

The following sum was paid- rent Tshs 45000 and rates Tshs 86,000.

Required;

You are required to prepare a combined expense account for the year ended 31.Dec 1990 showing the transfer to the profit and loss account and balance sheet if any are to be carried down to 1991.

DR RENT AND RATES A/C CR

Date	Particular	Amount	Date	Particular	Amount
1.1.1990	Balance b/d -rent	10,000	1.1.1990	Balance b/d [rates]	40,000
	cash - rent	45,000		Profit and loss a/c	100,000
	- rates	50,000		Balance c/d [rates]	6,000
	Rent balance c/d	5,000			110,000
		110,000			
1.1.91	Balance b/d [rates]	6,000		Balance b/d [rates]	5,000

DR PROFIT AND LOSS A/C (EXTRACT) CR

DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
	Rent and rates		100.000				

FUTURE GENERATION

BALANCE SHEET AS AT 31 DEC 1990

LIABILITIES

ASSETS.

<u>current liabilities</u>		<u>current assets</u>	
Rent outstanding	5,000	Rates prepaid	6,000

EXERCISE.

1. 1. The rent of the business premises of Mwenge co. ltd sh. 400,000 per annum, payable quarterly. The last quarter of rent had not been paid by the business at 31/12/1990.

Required:-

Show the accounts as they would appear in the books of Mwenge co. ltd.

2. The following information relates to the rates and insurance accounts in the books of trader on the date shown below.

	1.1.2004	31.12.2004
Rates owing	34,000	44,000
Insurance prepaid	77000	47000

Rates and insurance paid during the year amounted to Tshs 143,000.

Required

Prepare the rates and insurance account showing the amount to be transferred to profit and loss account [extract] and balance sheet [extract] as at 31.12.2004.

3. The following details are available on dec 31.2014, three months' rent of Tshs 30,000 owed, the rent chargeable per year was Tshs 120,000, the following payments were made by cheque in the year 2014.

6th Jan 30,000

4th April 30,000

7th July 30,000

18th October 30,000

The final three months rent for 2014 still owing

Required

- a) rent a/c
- b) profit and loss a/c
- c) balance sheet [extract]

SOLUTION 1.

DR RENT EXPENSES A/C CR

Date	Particular	f	Amount	Date	Particular	f	Amount
31/9/1990	cash		300,000	31/12/1990	profit and loss a/c		400,000
31/12/1990	owing c/d		100,000				400,000
			400,000				100,000
				1/1/1991	owing b/d		

DR PROFIT AND LOSS A/C CR

31-Dec	Rent	400,000	

BALANCE SHEET AS AT 31ST DEC	
LIABILITIES	ASSETS.
current liabilities	current assets
Rent outstanding	100,000

SOLUTION 2.

DR RATES AND INSURANCE A/C CR

Date	Particular	Amount	Date	Particular	Amount
1.1.2004	Balance b/d -Insurance	77,000	1.1.2004	Balance b/d [rates]	34,000
	cash - rates and insurance	143,000	31.12.2004	Profit and loss a/c	183,000
31.12.2004	balance c/d-rates	44,000	31.12.2004	Balance c/d [insurance]	47,000
					264,000
1.1.2005	Balance b/d [insurance]	47,000	1.1.2005	Balance b/d	44,000
					0

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DR

PROFIT AND LOSS A/C

CR

31-Dec Rates and insurance	183,000		

BALANCE SHEET AS AT 31ST DEC

<u>LIABILITIES</u>		<u>ASSETS.</u>
<u>current liabilities</u>		<u>current assets</u>
Rates owing	44,000	Insurance prepaid 47,000

SOLUTION 3.

DR

RENT

CR

Date	Particular	f	Amount	Date	Particular	f	Amount
7/7/2014	bank		90,000	31/12/2014	profit and loss a/c		120,000
31/12/2014	Balance c/d		30,000				120,000
			120,000				120,000
				1/1/2015	Balance b/d		30,000
							30,000

DR

PROFIT AND LOSS A/C (EXTRACT)

CR

31-Dec Rent expenses	120,000		

EXTRACT BALANCE SHEET AS AT 31ST DEC	
<u>LIABILITIES</u>	<u>ASSETS.</u>
<u>current liabilities</u> Rent owing	<u>current assets</u> 30,000

PROVISIONS

BAD DEBTS AND PROVISION FOR BAD DEBTS / PROVISION FOR DOUBTFUL DEBTS

If a firm finds it is impossible to collect a debt that should be written as bad debt.

BAD DEBTS

Are risks which are undertaken when some of the customers [debtors] fail to pay their debts. The debts failed to be paid are the expenses for the firm and transferred to the profit and loss account.

Example

Goods sold to C. Chacha on 5th Jan 1995 Tshs 900, he had become bankrupt. On 16th Feb 1995 also the goods sold to R magembe for Tshs 2400, he managed to pay 2,000 on 17th may 1995 but he would never be able to pay the final Sh. 400.

DR**C. CHACHA****A/C****CR**

DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
5.1.1995	sales		900	31.12.1995	bad debts		900

DR**MAGEMBE****A/C****CR**

DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
5.1.1995	sales		2,400	31.12.1995	cash		2,000

DR**BAD DEBTS****A/C****CR**

DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
31.12.1995	C. Chacha R.Magembe		900 400 1,300	31.12.1995	p&l a/c		1,300 1,300

**EXTRACT PROFIT AND
LOSS A/C****DR****CR**

31.12.1995	bad debts	1300	
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PROVISION FOR BAD DEBTS

These are the amount which the owner for the business doesn't expect to be paid [total written off].

The treatment of this amount should be:-

Dr: profit and loss a/c

Cr: provision for bad debts a/c

Example

At 31st December 1993 debtors amounted to Tshs 1,000,000. It is estimated that 2% of debts will prove to be bad debts and it is decided to make provision for them.

DEBTS A/C				PROVISION FOR BAD			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
31.12.1993	balance c/d		20,000	31.12.1993	P & L A/C		20,000
				1.1.1994	balance b/d		20,000

DR PROFIT AND LOSS A/C CR

31.12.1993	Provision for bad debts	20,000	
------------	-------------------------	--------	--

EXTRACT BALANCE SHEET

liabilities	Assets				
	<p>Current Assets</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Debtors</td> <td style="width: 20%; text-align: right;">1,000,000</td> </tr> <tr> <td>less: Provision for B.Debts</td> <td style="text-align: right;"><u>20.000</u> 980,000</td> </tr> </table>	Debtors	1,000,000	less: Provision for B.Debts	<u>20.000</u> 980,000
Debtors	1,000,000				
less: Provision for B.Debts	<u>20.000</u> 980,000				

INCREASING THE PROVISION FOR BAD DEBTS

The provision carried forward to the next date of balancing may be insufficient as provision on Sundry debtors on the book of that date.

Example

On the 1st Jan 1998 there was a balance of Tshs 5,000 in the provision for bad debts account and it was decided to maintain the provision of 5% of the debtors of Tshs 120,000 on 31st December 1998.

DEBTS A/C	CR	DR		PROVISION FOR BAD					
		DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
		31.12.1998	balance c/d		6,000	1.1.1998	balance b/d		5,000
						31.12.1998 8	profit and loss a/c		1,000

			6,000	1.1.1999	balance b/d			6,000
								6,000

**EXTRACT PROFIT AND
LOSS A/C**

DR			CR
31.12.1998	Provision for bad debts	1,000	

EXTRACT BALANCE SHEET

liabilities	Assets	
	<u>Current Assets</u>	
	Debtors	120,000
	less: Provision for B. Debts	<u>6,000</u> 114,000

DECREASING PROVISION FOR BAD DEBTS

It may appear at the next balancing time existing provision is more than adequate owing to a full in the total of sundry debtors.

The provision is shown as a credit balance, therefore, to reduce it, we would raise debit entry in the provision account and credit would be shown in the profit and loss account

Example

On the 1st January 1998 there was a balance of Tshs 5,000 in the provision for bad debts account and it was decided to maintain the provision at 5% of the debts of Tshs 80,000 on 31st December 1998.

Required;

- a) The provision for bad debts
- b) profit and loss account and

DEBTS	CR	DR	PROVISION FOR BAD				
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
31. 12.1998	balance c/d		4,000	1.1.1999	balance b/d		5,000
31. 12.1998	profit and loss a/c		1,000				5,000
			5,000				5,000
				1.1.1999	balance b/d		4,000
				9			

**EXTRACT
PROFIT AND LOSS A/C**

DR			CR
		31.12.1998	Provision for bad debts 1,000

EXTRACT BALANCE SHEET

liabilities	Assets
	Current Assets Debtors 80,000 less: Provision for B. Debts <u>4,000</u> 76,000

Example

In the new business during the year ended 31st December 1994 the following debts are found written off on the data shown.

30 April H. Gordon Tshs 1100

31st August D Bellamy Tshs 640

31st October J Alderton Tshs 120

On 31st December 1994 the schedule of remaining debtors amounting in total to Tshs 68,500 is examined, it decided to make a provision for doubtful debts of Tshs 2,200

You are required to show

- a) The bad debts a/c and provision for bad debts a/c

- b) Charge to the profit and loss a/c
- c) The relevant extract for the balance sheet as at 31st December 1994

Cr DR BAD DEBTS A/C

DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
30.4.1994	H. Gordon		1,100	31.12.1994	p&l a/c		1,860
31.8.1994	D. Bellamy		640				
31.10.1994	J. Alderton		120				
			1,860				1,860

DEBTS A/C

CR

DR PROVISION FOR BAD

DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
31.12.1994	balance c/d		2,200	31.12.1994	P & L A/C		2,200
				1.1.1995	balance b/d		2,200

Dr EXTRACT PROFIT AND LOSS a/c

Cr

31.12.1994	Bad Debts	1860	
31.12.1994	Provision for bad debts	2,200	

EXTRACT BALANCE SHEET

EXAMPLE.

A business had always made a provision for bad debts at the rate of 5% of debtors, on 1st January 1993 the provision for this brought forward from the previous years was Tshs 2,600. During the year to 31st December 1993 the bad debts written off amounted to Tshs 5,400 on 31st December 1993. The remaining debtors totaled Tshs 62,000 and the usual provision for bad debts is to be made.

You are required to show

- a) The bad debts a/c for the year 31st December 1993
 - b) The provision for bad debts a/c for the year
 - c) The relevant extract from the balance sheet as at 31st December 1993

Cr

Dr

BAD DEBTS

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Email: tzshule@gmail.com

DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
31.12.1993	debtors		5,400	31.12.1993	P &L A/C		5,400

TZ SHULE

DR

PROVISION FOR BAD

DEBTS A/C CR

DA DATE	DETAILS	F	AMOUN T	DATE	DETAILS	F	AMOUN T
31. 31.12.199 3	balance c/d		3,100	1.1.1993	balance b/d		2,600
			3,100	31.12.199 3	profit and loss a/c		500
				1.1.1994	balance b/d		3,100
							3,100

Dr

PROFIT AND LOSS

a/c Cr

31.12.1993	Bad Debts	5,400	
31.12.1993	Provision for bad debts	500	

EXTRACT BALANCE SHEET

liabilities	Assets						
	<p><u>Current Assets</u></p> <table> <tr> <td>Debtors</td> <td style="text-align: right;">62,000</td> </tr> <tr> <td>less: Provision for B. Debts</td> <td style="text-align: right;"><u>3,100</u></td> </tr> <tr> <td></td> <td style="text-align: right;">58,900</td> </tr> </table>	Debtors	62,000	less: Provision for B. Debts	<u>3,100</u>		58,900
Debtors	62,000						
less: Provision for B. Debts	<u>3,100</u>						
	58,900						

EXERCISE

1. A business had always made an allowance for doubtful debts at the rate of 2% of account receivable. On 1st January 2011 the amount for this brought forward from the previous year were 300. During the year 31st December 2011 the bad debts written off amounted to Tshs 700 on 31st December 2011 the accounts receivable balance was Tshs 17,000 and the usual allowance for the doubtful debt is to be made.

You are required to show

- a) (a)The bad debts account for the year ended 31st December 2011
- b) (b)The allowance for doubtful debts account for the year
- c) (c)Extract profit and loss a/c.
- d) (d) Extract balance sheet.

2. A business started trading on 1st January 2010 during the two years ended 31st December 2010 and 2011 the following debts were written off the bad debts account on the debts started

31 F. Land Tshs 200

31 A Clover Tshs 300

31 D ray Tshs 100

30 P. Clark Tshs 400

31 J Will Tshs 50

On 31st December 2010 the total account receivable was Tshs 5,500 it was decided to make an allowance for the doubtful debt of Tshs 800 and on 31st December 2011 the total account receivable was Tshs 59,000. It was decided to make an allowance for the doubtful debts of Tshs 900.

You are required to show; -

- (a) The bad debts account and the doubtful debt account for each of the two years
- (b) The relevant extract from the balance sheet as at 31st December 2010 and 2011.

PROVISION FOR DISCOUNT ON DEBTORS

Provision are not only created at the end of a financial period in connection with bad debts and doubtful debts but also in respect of discount that may be offered to the trade debtor if the debtors take the advantages of the discount allowed to them on settlement of their debts, the amount received from the debtors will be less by the total amount of discount than the value of Sundry debtors as shown in the balance sheet. For this reason the discount on the debtors must be estimated on provision on calculating the amount of discount are allowed to good debtors, only bad debtors do not receive this privilege

The entry for discounts on debtors are; -

Dr: profit and loss a/c

Cr: provision for discount on debtors

Example

At 31st December 2005. The sundry debtors of a firm stand at Tshs 500,000 you are required to give the entries necessary for a provision of 2.5% discount on sundry debtors and 5% provision for bad debts.

DEBTS A/C

CR

DR

PROVISION FOR BAD

DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
31.12.2005	balance c/d		12,500	31.12.2005	P & L A/C		12,500

ALLOWED A/C

CR

DR

PROVISION FOR DISCOUNT

DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
31.12.2005	balance c/d		24,375	31.12.2005	P & L A/C		24,375

LOSS a/c

Cr

Dr

EXTRACT PROFIT AND

31.12.2005	Provision for bad debts	12,500	
31.12.2005	Provision for discount allowed	24,375	

EXTRACT BALANCE SHEET

liabilities	Assets				
	<p><u>Current Assets</u></p> <p>Debtors 500,000</p> <p>less: Provision for B. Debts 12,500</p> <p>Provision for D.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Allowed</td> <td style="width: 15%; text-align: right;"><u>24,375</u></td> <td style="width: 15%; text-align: right;"><u>36,875</u></td> <td style="width: 40%; text-align: right;">463,125</td> </tr> </table>	Allowed	<u>24,375</u>	<u>36,875</u>	463,125
Allowed	<u>24,375</u>	<u>36,875</u>	463,125		

EXERCISE

The existing provision for bad debts on the book of T. Chande co. ltd is Tshs 11,200 on Dec 31st 2010
sundry debtors stood at Tshs 196,000.

Give the entries required;

- a) Reduce the bad debts provision to Tshs 9,800.
- b) Create a provision 2.5% for discount on debtors.

DEBTS	CR	DR	PROVISION FOR BAD
31 31.12.201 0	profit and loss a/c	1,400	11,200

31. 31.12.201 0	balance c/d		9,800				
			11,200				
				1.1.201 1	balance b/d		11,200

TZ SHULE

ALLOWED A/C

CR

DR

PROVISION FOR DISCOUNT

DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
31.12.2010	balance c/d		4,655	31.12.2010	P & L A/C		4,655
				1.1.2011	balance b/d		4,865

Dr

EXTRACT PROFIT AND LOSS a/c

Cr

31.12.2010	Provision for discount allowed	4,655	Provision for bad debts	1,40 0
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EXTRACT BALANCE SHEET

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liabilities	Assets
<u>Current Assets</u>	
	Debtors 196,000
	less: Provision for B. Debts 9,800
	Provision for D.
	Allowed 4,655 <u>14,455</u> 181,545

CAPITAL AND REVENUE EXPENDITURE

CAPITAL EXPENDITURE

Is made when a firm spends money either to buy fixed asset or to add the value of existing fixed asset with a useful life extending beyond the year.

- 2) Add the value of an existing fixed assets included in such amounts should be those spent on
 - a) Acquiring fixed assets
 - b) Bringing them into firms
 - c) Legal cost of buying buildings
 - d) Carriage inward on machinery brought
 - e) Any other cost needed to get the fixed assets ready for use

REVENUE EXPENDITURE

-Expenses needed for the day to day running of the business

Example

Classify the following between revenue and capital expenditure

S/N	EXPENDITURE	TYPES OF EXPENDITURE
1	Bought motor van	Capital expenditure
2	Petrol cost from motor van	Revenue expenditure
3	Repair for the motor van	Revenue expenditure
4	Putting extra head lights on the motor van	Capital expenditure
5	Buying machinery	Capital expenditure
6	Electricity cost of using machinery	Revenue expenditure
7	We spent Tshs 15,00/= on machinery , 10,000 Tshs was for an item added to the machine ,500/=for repair	Capital expenditure
8	Painting outside of a new building	Capital expenditure

9	Three year later repairing outside of a building in (8).	Revenue expenditure

EXERCISE

For the following of J charks whole sale classify the following between capital and the revenue expenditure

- a) Purchases of an extra motor van-
- b) Cost of a building ware house which had fallen down -
- c) Build extension to the ware house -
- d) Painting extension to ware house when it is first built -
- e) Repaint extension to ware house three years later than done it
- f) Carriage on cost on purchases -
- g) Carriage costs on sales -
- h) Carriage cost on bricks for new ware house extension -
- i) Legal cost of collecting debts -
- j) Legal charges on acquiring new premises for office -
- k) Find insurance premium -
- l) Cost of existing new machine-

Answers:

- a) Capital expenditure
- b) Capital expenditure
- c) Capital expenditure

- d) Capital expenditure
- e) Revenue expenditure
- f) Capital expenditure
- g) Revenue expenditure
- h) Capital expenditure
- i) Revenue expenditure
- j) Capital expenditure
- k) Capital expenditure
- l) Revenue expenditure

CONTROL ACCOUNT

Due to their small number of business transactions small firms can operate effectively with one ledger.

Large business firms have a large number of transactions and find it necessary to maintain separate ledgers for control purchases

In this case the ledger is divided into two main parts namely

Ø Personal ledger

Ø Impersonal ledger

The personal ledger

Consists of the amount of persons and the organization as a whole which have either supplied to receive goods or services from the firm on credit, these are:-

- a) Debtors control accounts or sales ledger control a/c
- b) Creditors control account or purchases ledger control a/c

ADVANTAGES

- a) Errors can be traced to individuals

- b) Being a summary: control accounts are a quick source of reference for amount owing to and by the firm

INFORMATION FOR THE CONTROL ACCOUNTS

1. SALES LEDGER CONTROL ACCOUNTS

- a) Opening balance

-From list of debtors balance at the end of previous ledgers

- b) Credit sales

- From sales day book

- c) Returns inwards

-From return inward day book.

- d) Cheques or cash received

-From the cash book

- e) Closing balance

-List of debtors balance drawn up at the end of the trading period

CONSTRUCTING SALES LEDGER CONTROL A/C OR DEBTORS CONTROL

A/C

D Date	Details	Amount	Date	Details	Amount
	Balance	xxx		Returns	xxx

b/d			inwards	
Credit sales	xxx		Discount allowed	xxx
Bills received	xxx		Cash /bank received	xxx
Cheque dishonored	xxx		Bad debts w/o	xxx
Carriage charge	xxx		Bills receivable	xxx
Refund on over due	xxx		Set off [purchase ledger]	xxx
			Balance c/d	xxx
	XXXX			XXXX
Balance c/d	xxx			

Example

You are required to prepare a sales ledger control a/c from the following details May 1st sales ledger balance 4,936

31 returns inwards journal.....1,139

Sales journal49,916

Cash and cheque received from customers46,490

Discount allowed1455

May 31 sales ledger balance C/D 5,768

Dr SALES LEDGER CONTROL A/C

Cr

D Date	Details	Amount	Date	Details	Amount
1. 5	Balance b/d	4,936	31.5	Returns inwards	1139
	Credit sales	49,916		Discount allowed	1,455
				Cash /bank received	46,490
		54,852		Balance c/d	5,768
	Balance b/d	5,768			54,852

EXERCISE

Prepare a sales ledger control a/c from the following information of July 1999, carrying down the balance at 31July.

July 1 sales ledger balance 9,700

Sales journal 99,280

Bad debts written off 279

Cheque received from debtors 95,120

Discount allowed 1,285

Cheque dishonored 226

Returns inwards 3,170

Set off against balance in purchases ledger 400

Dr**SALES LEDGER CONTROL A/C****Cr**

Date	Details	Amount	Date	Details	Amount
1.7	Balance b/d	9,700	31.7	Bad debts	279
	Credit sales	99,280		Bank	95,120
	Cheque dishonored	226		Discount allowed	1,285
				Returns inwards	3,170
				Set off	400
				Balance c/d	8,952
					109,206
1.8	Balance b/d	8,952			

2. PURCHASES LEDGER CONTROL A/C**Opening balance**

- List of creditors balance drawn

Credit purchases

- From purchases day book

Returns outwards

- From the returns outwards journal

Cash /cheque paid

- From the cash book

Closing balance

-List of creditors balances drawn up at the end of the trading period.

Dr	PURCHASES LEDGER CONTROL A/C		Cr		
Date	Details	Amount	Date	Details	Amount
	Returns outwards	xxx		Balance b/d	xxx
	Discount received	xxx		Credit purchases	xxx
	Cash /cheque paid	xxx			
	Set off	xxx			
	Bills payable	xxx			
	Balance c/d	xxx			
		xxx			xxx
		xxx		Balance b/d	xxx

TRANSACTION WHICH ARE NEITHER RECORDED IN SALES LEDGER NOR PURCHASES LEDGER CONTROL ACCOUNTS.

- I. Cash purchases during the year
- II. Cash sales during the year
- III. Provision for bad debts
- IV. Cash allowance made to customer (allowance made to customer)
- V. Discount on cash sales
- VI. Discount on cash purchases
- VII. Bills payable (honored/paid)

VIII. Bill receivable (received)

Example

You are required to prepare a purchase ledger control account for the following information

January 1

Purchases ledger balance	3,676
Purchases journal	42,257
Returns outward journal	1,098
Cheque paid to suppliers	3,875
Discount received	887

Dr PURCHASES LEDGER CONTROL A/C Cr

Date	Details	Amount	Date	Details	Amount
1.11	Returns outwards	1,098	31.11	Balance b/d	3,676
	Discount received	887		Credit purchases	42,257
	Cash /cheque paid	3,875			
	Balance c/d	40,073			
		45,933			45,933
				Balance b/d	40,073

EXERCISE

1. You are required to prepare a sales ledger control a/c from the following information for the month of November 2010

November 1

Sales ledger balance	24,000
Total for November	
Sales day book	14,000
Returns inwards day book	1,000
Cheque and cash received from customer	18,000
Discount allowed	500
Sales ledger balances	18,500

Dr

SALES LEDGER CONTROL A/C

Cr

Date	Details	Amount	Date	Details	Amount
1.11	Balance b/d	24,000	31.11	Returns inwards	1,000
	Credit sales	14,000		Bank and cash	18,000
				Discount allowed	500
		38000		Balance c/d	18,500
	Balance b/d	18,500			38000

2. You are required to prepare purchases ledger control a/c from the following information for April, the balance of account is to be taken as amount of account payable on 30th April 2011.

April 1

Purchases ledger balance

11,241

Total for April

Purchases day book

6,100

Returns outwards day book

246

Cheque paid to suppliers	8300
30 purchases ledger balance	?
Discount received from suppliers	749

Dr

PURCHASES LEDGER CONTROL A/C

Cr

Date	Details	Amount	Date	Details	Amount
31.4	Returns outwards	246	1.4	Balance b/d	11,241
	Bank	8,300	31.4	Credit purchases	6,100
	Discount allowed	749			
	Balance c/d	8,046			
		17,341			17,341
			1.5	Balance b/d	8,046

EXAMPLE

The following figures were taken from the books of gold company limited 1st January 1990

Balance on sales ledger Dr 112,320

Balance on sales ledger Cr 1,470

Balance on purchases ledger Dr 1,180

Balances on purchases ledger CR 72,280

Transaction up 31st December 1990

Sales to customers on credit 108,450

Cash sales during the year	20,000
Purchases on credit for supplier	63,250
Cash purchase	30,000
Allowances made to customers	1,870
Goods returned to suppliers	1,230
Cash received from customer	96,450
Bad debts [written off]	850
Discount allowed to customer	4,960
Discounted allowed by supplier	4,120
Cash paid to the supplier	61,420
Cash paid to customer	250
Transfer from sales ledger to purchases ledger	5,980
Transfer from purchases ledger to sale ledger	2,140
Legal and other expenses charged to customers	350
Balance on sales ledger Cr	1100
Balance on purchases DR	890

Required

Prepare sales ledger control a/c and Purchases ledger control A/C.

Dr

SALES LEDGER CONTROL A/C

Cr

Date	Details	Amount	Date	Details	Amount
1.1.90	Balance b/d	112,320	1.1.90	Balance b/d	1,470
	Credit sales	108,450		Allowance	1,870
	Cash repaid	250		Cash receivable	96,450
	Legal cost and expenses	350		Bad debts	850
	Balance c/d	1100		Discount allowed	4,960
				To purchases ledger	5,980
		221,370		From purchases ledger	2,140
				Balance c/d	107,650
1.1.91	Balance b/d	107,650	1.1.91	Balance b/d	221,370
					1,100

Dr

PURCHASES LEDGER CONTROL A/C

Cr

Date	Details	Amount	Date	Details	Amount
1.1.90	Balance b/d	1,180	1.1.90	Balance b/d	72,280
31.1.90	Returns outward	1,230	31.12.90	Credit purchases	63,250
	Discount received	4,120		Balance c/d	890
	Cash paid	61,420			
	From Sales ledger	5,980			
	To Sales ledger	2,140			
	Balance c/d	60,350			
		136,420			
1.1.91	Balance b/d	890	1.1.91	Balance b/d	60,350

EXERCISE

You are required to prepare a purchases ledger control a/c from the following information for the month April 2011.

April 1

Purchases ledger balance 11,241

Total for April

Purchases day book 6,100

Returns outward day book 246

Cheque paid to the supplier 8300

Discount received from supplier 249

30 purchases balance ?

Dr

PURCHASES LEDGER CONTROL A/C

Cr

Date	Details	Amount	Date	Details	Amount
	Returns outwards	246	1.4	Balance b/d	11,241
	Cheque paid	8,300		Credit purchases	6100
	Discount received	749			
30.4	Balance c/d	8,046			
		17,341			17,341
			1.5	Balance b/d	8,046

EXERCISE 2.

Prepare a sales ledger a/c from the following information 2012.

March 1

Debt balance 12,000

Total information

Cash and cheque received from bank 9,000

Discount allowed 11,000

Debit balance in the sales ledger set off against credit balance in the purchases ledger 100

31 debit balance ?

Credit balance 50

Dr SALES LEDGER CONTROL A/C Cr

Date	Details	Amount	Date	Details	Amount
1.3	Balance b/d	12,000		Cash and bank	11,000
	Credit sales	9,000		Discount allowed	1,000
31.12	Balance c/d	50		Set off	100
				Balance c/d	8,950
		21050			21050
1.4	Balance b/d	8,950		Balance b/d	50

EXERCISE 3

You are required to prepare control a/c from the following;-

Jan 1

Purchases ledger balance 11,874

Sales ledger balance 19,744

Total for the year

Purchases journal 154,562

Sales journal 199,662

Returns outwards journal 2,648

Returns inwards journal 4,556

Cheque paid to the supplier 146,100

Petty cash paid to the supplier 78

Cheque and cash received from customer 185,960

Discount allowed 5830

Discount received 213

Dr

PURCHASED LEDGER CONTROL A/C

Cr

Date	Details	Amount	Date	Details	Amount
	Returns outwards	2,648	1.1	Balance b/d	11,874
	Cheque paid	146,100		Credit purchases	154,562
	Cash paid	78			
	Discount received	2,134			
31.12	Balance c/d	15,476			
		166,436			166,436
			1.2	Balance b/d	15,476

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Dr

SALES LEDGER CONTROL A/C

Cr

Date	Details	Amount	Date	Details	Amount
1.01	Balance b/d	147,44		Returns inwards	4,556
	Credit sales	199,662		Cash and cheque	185,960
				Discount allowed	5,430
				Balance c/d	23,060
		219,406			219,406
1.02	Balance b/d	23,060			

ACCOUNT OF NON TRADING ORGANIZATION**NON -TRADING ORGANIZATION**

Non trading organizations are those organizations which their main purpose is not to make profit but to provide services and entertainment to their members, the organizations are such as ;- Sports club, Trade union, Political organization ... etc

SOURCE OF INCOME FOR NON TRADING ORGANIZATION

- a. Fees

- b. Subscription from members
- c. Government grants or aid
- d. Donation etc

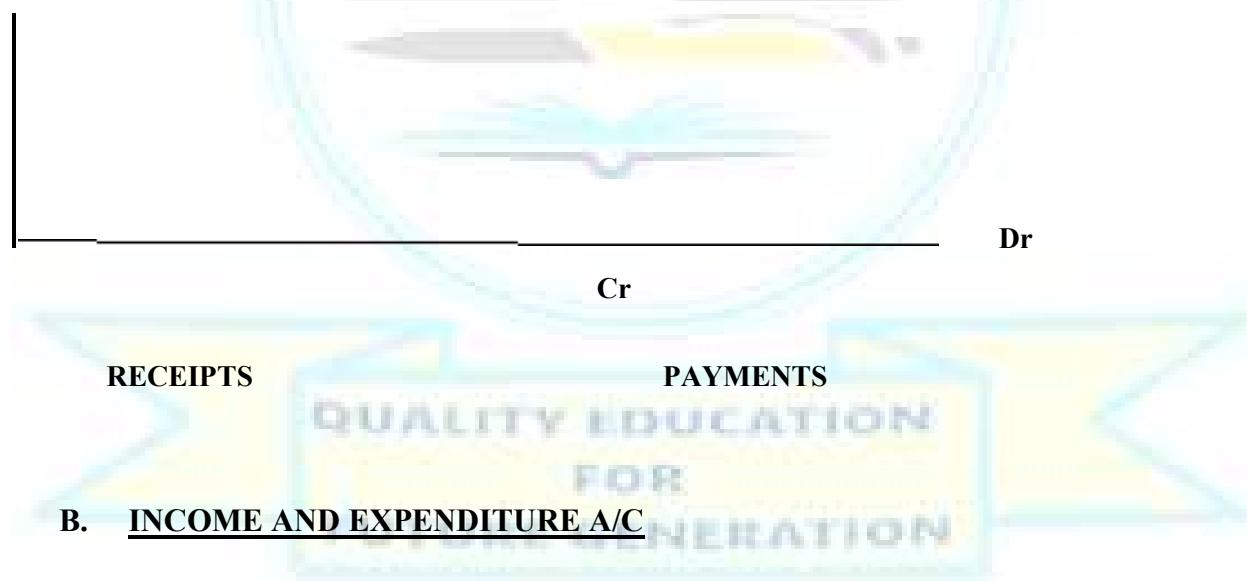
The account recording involves the following:-

- a) Receipts and payment a/c
- b) Income expenditure a/c
- c) Balance sheet

A. RECEIPTS AND PAYMENT A/C

Receipts and payments a/c is a summarized cash book recording cash and bank transaction for non trading organizations.

Receipts are recorded on the debit side while payments are recorded on the credit side of the account.



B. INCOME AND EXPENDITURE A/C

Is the same as profit and loss in a profit oriented organization, income and expenditure a/c is drawn up and show either surplus or deficit for non trading organization.

SURPLUS

Is the excess of income over expenditure of non trading organizations.

DEFICIT

Is the excess expenditure over income of non trading organizations.

The format of income and expenditure account

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED	
EXPENDITURE	INCOME

The different between receipts and payment a/c and income and expenditure a/c

RECEIPT AND PAYMENT

1. Is the summary of cash transaction
2. Is beginning with opening balance and end with closing balance
3. Is prepared so as to calculate the balance in hand (cash in hand /bank)
4. Income is shown on the debit side and payment on the credit side
5. Adjustment are not made in receipt and payment account

INCOME AND EXPENDITURE

Is like profit and loss account

It does not begin with any kind of balance.

Is prepared so as to calculate surplus or deficits

Expenditure is shown on the debit side while income is shown on the credit side

All adjustment including outstanding balance and prepayment are made.

EXAMPLE 1

The following information supplied to you so as to prepare the receipts and payment account and income and expenditure a/c of WINOME club as at 31st Dec 1985.

Bank 1/1/ 1985-----2360/=

Subscription for 1985-----11480/=

Upkeep of sport stadium -----2960/=

Rent from sub letting ground -----1160/=

Committee expenses-----580/=

Printing and stationary -----330/=

Wages -----7280/=

RECEIPTS	AMOUNT	PAYMENT	AMOUNT
Balance b/d	2360	Upkeep of sports& stationary	2960
Subscription	11480	Committee expenses	580
Rent received (sub letting)	1160	Printing and stationary	330
		Wages	7280
		Balance c/d 31/12/	3850
	15000		15000

DR INCOME AND EXPENDITURE FOR THE YEAR ENDED 31ST DEC CR

EXPENDITURE	AMOUNT	INCOME	AMOUNT
Upkeep of sports& stationary	2960	Subscription	11480
Committee expenses	580	Rent received (sub-letting)	1160
Printing and stationary	330		
Wages	7280		
Surplus	1490		
	12640		12640

C. BALANCE SHEET

Is the same as that of profit oriented organizations except that the capital of non trading organizations is known as "accumulated fund "

Accumulated fund = assets +liabilities

ADJUSTMENT OF SUBSCRIPTION A/C

Subscription account is adjusted so as to calculate or determine the amount to be transferred to income and expenditure account therefore the amount calculated in the subscription account (the difference between debit and credit side)

In subscription account will either be recorded in income and expenditure a/c of the income side or expenditure side .

Example

The following information is provided to you by the treasures of a social regarding subscription on 31 December 1990.

Subscription occurred 2,050

Subscription received in advance 1,420

On 31st December 1991

Subscription accrued 1,890

Subscription received in advance 1,640

Subscription during the year 38,570

Required

Draw up the subscription a/c of the club for the year 1991.

Dr	SUBSCRIPTION A/C		CR
Balance b/d owing	Xx	Balance b/d [prepaid]	Xxx
Income and expenditure	Xx	Receipts and payment	Xxx
Balance c/d [prepaid]	Xxx	Balance c/d owing	Xxx
	Xxx		Xxx
Balance b/d owing	xxx	Balance b/d [prepaid]	xxx

Dr**SUBSCRIPTION A/C****Cr**

Date	Details	Amount	Date	Details	Amount
1.1.91	Balance b/d	2,050	1/1/1991	Balance b/d	1,420
31.12.91	Income and expenditure	38,190		Receipt and payment	38,570
31.12.91	Balance c/d (prepaid)	1,640	31/12/91	Balance c/d(owing)	1,890
		41,880			41,880
1.1.92	Balance b/d	1,890		Balance b/d	1,640

DR**INCOME AND EXPENDITURE A/C****CR**

Date	Details	Amount	Date	Details	Amount
				Subscription	38190

BALANCE SHEET [EXTRACT]

CURRENT LIABILITIES	CURRENT ASSETS
Subscription prepaid 1,640	Subscription owing 1,890

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EXAMPLE 2

An Amateur theatrical group charges its members an annual subscription of Tshs 20 per member it accrues for subscription owing at the end of each of year and also adjust for subscription received in advance.

A) On January, 2013, 18 members had not yet paid their subscription for the year 2012.

In December, 2012, 4 members paid Tshs 80 for the year 2013.

During the year 2013 it received Tshs 7,420 in each for subscription

For 2012 360

For 2013 6920

For 2014 140

7.420

Required

-Prepare subscription a/c , profit and loss a/c and balance sheet [extract]

At 31st December 2013, 11 members had not paid their 2013 subscription.

Dr	SUBSCRIPTION A/C		Cr		
Date	Details	Amount	Date	Details	Amount

1.1.2013	Balance b/d- owing	360	31.1.13	Balance b/d -prepaid	80
31.12.2013	Income and expenditure	7,220		Receipts and payments	7,420
31.12.2013	Balance c/d -prepaid	140		Balance c/d - owing	220
		7,720			7,720
1.1.2014	Balance b/d - owing	220		Balance b/d [prepaid]	140

DR

INCOME AND EXPENDITURE A/C

CR

Date	Details	Amount	Date	Details	Amount
	Expenditure		31.12.13	Subscription	7220

BALANCE SHEET [EXTRACT]

<u>CURRENT LIABILITIES</u>	<u>CURRENT ASSETS</u>
Subscription prepaid 140	Subscription owing 220

EXAMPLE3

The treasures of the long lane football clubs has prepared a receipts and payments account but members have complained about the inadequacy of such an account, she therefore asks an accountant to prepare trading account for the bar, an income and expenditure account and a statement of financial position the

treasure gives the accountant a copy of the receipts and payment accounts together with the information on assets and liabilities at the beginning and end of the year.

**LONG LANE FOOTBALL
CLUB**

**RECEIPTS AND PAYMENT ACCOUNTS FOR THE YEAR ENDED
31.12.2012**

Receipts	shs	Payments	shs
Bank balance at 1.1.12	524	Payments for bar supplier	38,620
Subscription received for 2011[arrears]	1,400	Wages	
2012	14,350	-Ground man and assistant	19,939
2013[advance]	1,200	-Bar man	8,624
Bar sales [taking]	61,280	Bar expenses	734
Donation received	800	Repairs to stands	740
		Ground up beep	1,829
		Secretary expenses	938
		Transport cost	2420
		Bank balance at 31.12.2012	6,210
	79,554		79,554

Additional information		31.12.2011	31.12.2012
Inventory in the bar cost		4,496	5,558
Owing for bar supplies'		3,294	4,340
Bar expenses owing		225	336
Transport costs owing		-	265

1. The lands and foot ball stands were valued at 31 December at land 40,000, football stands 20,000/= The stands are to be depreciated by 10% per annum.

2. The equipment at 31st December 2011 was valued at 2,500 and it is to be depreciated by 20% per annum.
3. The subscription owing by members amounted to Tshs 1,400, 31st December 2011 and Tshs 1,750 on 31st December 2012.

STATEMENT OF AFFAIRS AT 01.01.2012			
Accumulated fund	65,401	Land	40,000
<u>CURRENT LIABILITIES</u>		Football stand	20,000
Bar expenses owing	225	Equipment	2,500
Creditors	3,294		62500
		<u>CURRENT ASSETS</u>	
		Bank	524
		Subscription owing	1400
		Stock in bar	4496
	68920		68920
DR	PURCHASES CONTROL		CR
Cash	38,620	Balance b/d	3,294
Balance c/d	4,340	Trading	39,666
	42,960		42,960

Cash	38,620	Balance b/d	3,294
Balance c/d	4,340	Trading	39,666
	42,960		42,960

	Balance b/d	4340
--	-------------	------

DR BAR EXPENSES CR

Cash	234	Balance b/d	225
Balance c/d	336	Trading	345
	570		570
		Balance b/d	336

Dr

SUBSCRIPTION A/C

Cr

Date	Particular	Amount	Date	Particular	Amount
	Balance b/d- owing	1,400	2011	Cash	1,4
	Income and expenditure	16,100	2012	Cash	14,3
	Balance c/d [prepaid]	1,200	2013	Cash	1,2
		18700		Balance c/d [owing]	1,7
	Owing b/d	1,750		Prepaid b/d	1,2

DR

TRANSPORT COSTS

CR

Cash	2420	Income and expenditure	2,685
		2685	

Add : Owing	265		2,685
	2,685		

Dr BAR TRADING ACCOUNT AT 31.12.2012 Cr

Particular	TSHS	Particular	TSHS
Opening stock in bar	4,496	Sales	61,280
Add : purchases	39,666		
Cost of goods available for sale	44,162		
Less : closing stock in bar	5,558		
Cost of goods sold	38,604		
Gross profit c/d	22,676		
	61,280		61,280
Bar expenses	345	Gross profit b/d	22,676
Bar man	8,624		
Net profit to income and Expenditure	13,707		
	22,676		22,676

Dr INCOME AND EXPENDITURE Cr

EXPENDITURE	TSHS	INCOME	TSHS
Ground man and assistant	19,939	Profit from bar	13,707
Repairs to stand	740	Donation received	800
Ground up keep	1,829	Subscription	16,100
Secretary expenses	938		
Transport cost	2,685		
Depreciation			

Stands	2,000				
Equipment	<u>500</u>	2,500			
Surplus		1,976			
			30,607		
				30,607	

BALANCE SHEET AT 31.12.2012

LIABILITIES		FIXED ASSETS		
Accumulated fund	65,401	Land		40,000
Add: surplus	1,976	Football stand	20,000	
	67,377	Less: depreciation	2000	18,000
CURRENT LIABILITIES				
creditors	4,340	Equipment	2,500	
bar expenses owing	336	Less: depreciation	500	2,000
Transport cost owing	265			
Subscription advance	1,200	CURRENT ASSETS		
		Stock at bar		5,558
	73,518	Subscription owing		1,750
		cash at bank		6,210
				73,518

EXERCISE

- Draw up a subscription account income and expenditure and balance sheet [extract] from the following information.

Subscription received during 2001 39,900

Subscription received in advance 1 Jan 1,410

Subscription received in advance	31 st Dec	1,290
Accrued subscription 1st January		2,180
Accrued subscription 31 st December		1,930

Exercise.2. On January 1st 1991 the financial position of the karate society was;—

ASSETS		LIABILITIES	
Equipment	1250	Accumulated fund	2200
Subscription due	350	Trainers' fees accrued	100
Cash at bank	700		
	2300		2300

During the year ended December 31st 1991 receipts and payments were as follows;—

Receipts	Tshs	Payments	Tshs
Balance at bank 1/1/91	700	Printing	800
Subscription for the previous year	200	Stationary and postage	230
Subscription for the current year	1,400	New equipment	180
Subscription in advance for 1992	250	Hire of training ground	500
Field trial entrance fees	1,440	Trainers fee including Tshs 100 for the previous year	400
Advertisement receipts	550	General expenses	150
		Judge fees	1,000
		Trail expenses	210

	Balance at bank 31.12.91	1,070
	4,540	
		4540

The following items must also be taken into account;

- TShs 180 owing for subscription for this year or current year
- The balance of subscription for the previous year still outstanding is to be written off as bad debts.
- The balance of equipment at December 31st 1991 was to be depreciated by 20%
- There is an amount of Tshs 120 owing for printing expenses

Required

Income and expenditure account for the year ended December 31st 1992 and

Balance sheet as at that date

NB: All calculations should be shown in details

Solution for QN.1.

Dr	SUBSCRIPTION A/C	Cr			
Date	Particular	Amount	Date	Particular	Amount
1.jan	Balance b/d- owing	2,180	1.jan	Balance b/d- prepaid	1,410
	Income and expenditure	39,770		Receipts and payments	39,900
31.dec	Balance c/d- prepaid	1,290	31.dec	Balance c/d owing	1,930
		43,240			43,240
1.1	Balance b/d owing	1,930	1.1	Balance b/d- prepaid	1,290

DR

INCOME AND EXPENDITURE A/C

CR

Date	Details	Amount	Date	Details	Amount
			31.12.13	Subscription	39770

BALANCE SHEET (EXTRACT)

<u>CURRENT LIABILITIES</u>	<u>CURRENT ASSETS</u>
Subscription prepaid 1290	Subscription owing 1930

Solution for QN.2.

Dr

INCOME AND EXPENDITURE A/C

Cr

EXPENDITURE	TSHS	INCOME	TSHS
Printing	920	Subscription	1,580
Stationary and postage	230	Field trail entrance	1,440
Hire training ground	500	Advertisement receipts	550
Trainers fees	300	Deficit	176
General expenses	150		
Judges fees	1,000		
Bad debts	150		
Trail expenses	210		
Depreciation equipment	286		
	3746		
			3746

BALANCE SHEET AT 31.12.1992

LIABILITIES		ASSETS	
Accumulated fund	2,200	Equipment	1,436
Less deficit	176	Less: depreciation	286
	2024		1,144
CURRENT LIABILITIES		CURRENT ASSETS	
Printing owing	120	Cash at bank	1,070
Subscription in advance	250	Subscription owing	180
	2394		2394

WORKINGS:-

Dr

SUBSCRIPTION A/C

Cr

Date	Particular	Amount	Date	Particular	Amount
	Balance b/d -owing	350		Receipts and payments	1
	Income and expenditure	1,580		Bad debts	
	Balance c/d -prepaid	250		Balance c/d owing	
		2180			
	Owing b/d	180		Prepaid b/d	2

Dr

PRINTING A/C

Cr

Cash	800	Income and expenditure	92
Add: owing	120		
	920		

EXERCISE.3

The necessary noise sport club had the following assets and liabilities on 31st December of the year

	2006	2007
Accumulated fund	50,000	48,000
Outstanding salaries	700	Nil
Refreshment bill owing by club	Nil	400
Sport ground	25,000	
Furniture	13,000	
Spot kit [fixed asset] at valuation	12,000	10,000

Uniforms [affixed asset]	6,500	
Subscription due from members	500	300

The following summary of the club receipts and payment was prepaid by its treasure for 2007

CASH SUMMARY

Date	Particular	Amount	Date	Particular	Amount
	Balance b/f	5,400	31.12.2007	Salaries	6,200
	Subscription	23,000		Traveling	7,800
	Donations	2,100		Stationary and postage	600
	Gate collections	6,500		Electricity and telephone	600
	Sale of old sport kit	1,000		Refreshments	500
				Purchase of new supports kit	5,200
				Purchase of new uniform	4,000
				Repairs to sport kit	3,800
				Maintenance of spots ground	3,400
				Balance c/ f	5,800
		38,000			38,000

Additional information:-

-Sport ground was acquired several years ago on a 100 years lease for 50,000

-The old sport kit sold during the year had a book value of Tshs 1,500

-Write down the furniture by Tshs 300 and uniforms Tshs 3,500.

Dr**SALARIES A/C****Cr**

Cash	6200	Balance b/d	700
		Income and expenditure	5500
	6200		6200

Dr**SUBSCRIPTION A/C****A/C****CR**

Balance b/d	500	Balance c/d	300
Income and expenditure	22800	Cash	23000
	23300		23300
Balance b/d	300		

Dr**UNIFORM A/C****Cr**

Balance b/d	6500	Balance c/d	10300
Cash	3800		
	10300		10300

Dr**DISPOSAL SPORT KIT****Cr**

DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
14 th Apr	Sport kit		1,500		Receipts and payments		1,000
					To income and expenditure		500
			1,500				1,500

Dr**SPORT KIT A/C****CR**

Balance b/d		12000	Disposal		1500
Cash		4000	Depreciation		4500
		16000	Balance c/d		10000
					16000

INCOME AND EXPENDITURE A/C FOR THE YEAR ENDED 31.12.2007

EXPENDITURE		INCOME	
Disposal of sport kit	500	Subscription	22,800
Salaries	5,500	Donations	2,100
Traveling	7,800	Gate collection	6,500
Stationary and postage	600	Deficit	2,000
Electricity and telephone	500		
Maintenance of spot ground	3,400		
Refreshment	5200		

Add owing	400	5,600		
Repairs to sport kit		700		
Depreciation				
Sport kit		4,500		
Sport ground		500		
Furniture		300		
Uniforms		3,500		
		33,400		33,400

BALANCE SHEET AS AT 31.12.2007

LIABILITIES		ASSETS		
Accumulated fund	50,000	FIXED ASSETS		
Less: Deficit	2,000	Uniform	10300	
	48,000	Less: depreciation	3500	6800
CURRENT LIABILITIES		Spot kit		10,000
Refreshment owing	400	Furniture	1300	
		Less depreciation	300	1,000
	48400	Sport ground	50,000	
		Less depreciation	25,500	24,500
		CURRENT ASSETS		
		Cash	5800	
		Subscription	300	
			48400	

EXERCISE

On 1st January 2011, the happy Haddock angling club had the following assets

Cash at bank 200

Snack bar inventory 800

Club house building 12,500

During the year to 31st December 2011 the club received and paid the following amount

RECEIPTS	TSHS	PAYMENT	TSHS
Subscription 2011	3500	Rent and rates	1500
Subscription 2013	800	Extension to club house	8000
Snack bar income	6000	Snack bar purchases	3750
Visitors fee	650	Secretarial expenses	240
Loan from bank	5500	Interest on loan	260
Competition fees	820	Snack bar expenses	600
		Games equipment	2000

Notes:-

-The snack bar inventory on 31st December 2011 was Tshs 900

-The games equipment should be depreciated by 20%

Required

- a. Prepare an income and expenditure account for the year ended 31st December 2011, Show either in this account or separately then snack bar profit and loss.

- b. Prepare a statement of financial position as at 31st December 2011.

Dr**BAR TRADING A/C****Cr**

Opening stock in bar	800	Sales	6,000
Add purchases	3,750		
Cost of goods available for sale	4,450		
Less closing stock in bar	900		
Cost of goods sold	3,650		
Gross profit c/d	2,350		
	6,000		6,000
Snack bar expenses	600	Gross profit b/d	2,350
Net profit income and expenditure	1,750		
	2,350		2,350

INCOME AND EXPENDITURE A/C AT 31 DEC 2011

EXPENDITURE		INCOME	
Rent and rates	1,500	Subscription	3,500
Secretarial expenses	240	Competition fees	820
Interest on loan	260	Visitors fees	650
Depreciation game equipment	400	Profit from bar	1,750
surplus	4,320		
	6,720		6,720

STATEMENT OF AFFAIRS AT 01.01.2011

Accumulated fund	13500	Bank	200
		Bar [owing]	800
		Club house building	12500
	13500		13500

BALANCE SHEET AT 31 DEC 2011

LIABILITIES		ASSETS	
Accumulated fund	13,500	Club house building	20,500
Add : surplus	4,320	Games equipment	2,000
	17,820	Less: depreciation	400
CURRENT LIABILITIES		CURRENT ASSETS	
Subscription in advance	380	Snack bar stock	900
Loan from bank	5,500	Bank	700
	23,700		23,700

*** THE END ***