

X350 ATO

1. The following trial balance was extracted from the books of T Bone as at 31 December 2009

| | Sh'000 | sh'000 |
|-------------------------------------|---------------|---------------|
| Capital account | | 46,500 |
| Purchases and sales | 20,500 | 60,900 |
| Repairs | 848 | |
| Motor car (cost) | 950 | |
| Car expenses | 318 | |
| Free hold land and buildings | 10,000 | |
| Bank balance | 540 | |
| Furniture and fittings (cost) | 1,460 | |
| Wages and salaries | 8,606 | |
| Discounts allowed | 1,061 | |
| Discounts received | | 814 |
| Drawings | 2,400 | |
| Rates and insurances | 248 | |
| Bad debts | 359 | |
| Provision for bad debts, 1 Jan 2009 | | 140 |
| Trade debtors | 5,213 | |
| Trade creditors | | 4,035 |
| General expenses | 1,586 | |
| Stock, 1 Jan 2009 | 6,300 | |
| | 86,389 | 86,389 |

The following matters are to be taken into account:-

- (a) Stock at 31 December 2009 was 8,800,000
- (b) Wages and salaries outstanding at 31 December 2009 were 318,000.
- (c) Rates and insurances paid in advance at 31 December 2009 amounted to 45,000.
- (d) During the year, Bone took goods ex-stock valued at 200,000 for his own use. No entry has been made in the books in this respect.
- (e) Depreciation is to be provided at the rate of 20 per cent on the motor and at 10 per cent on furniture and fittings.
- (f) The provision for bad debts is to be reduced to 100,000.

Required:

Prepare a profit and loss account for the year ended 31 December 2009, and a balance sheet as at that date.

Q2

2. Otieno Kamau is a Kenyan wholesaler. A trial balance extracted from his books on 31 December 2008 revealed the following balances:-

| | Sh'000 | sh'000 |
|--|----------------|----------------|
| Capital account | | 112,000 |
| Purchases | 92,400 | |
| Sales | | 157,240 |
| Premises at cost | 64,000 | |
| Motor vehicles at cost | 30,000 | |
| Accumulated depreciation of motors | | 8,200 |
| Fixtures and fittings at cost | 6,500 | |
| Accumulated depreciation – fixtures and fittings | | 1,100 |
| Motor expenses | 7,300 | |
| Rates | 2,300 | |
| Balance at bank | 4,200 | |
| Drawings | 9,600 | |
| Insurance | 9,600 | |
| Trade debtors | 2,000 | |
| Provision for doubtful debts | | 560 |
| Sundry expenses | 16,200 | |
| Long-term loan | | 20,000 |
| Stock at 1 Jan 2008 | 19,250 | |
| Cash in hand | 350 | |
| | <u>314,100</u> | <u>314,100</u> |

The following information was available at 31 December 2008.

- (a) Stock at 31 December was 22,400,000.
- (b) There were wages and salaries of 1,200,000 owing.
- (c) There was a payment of 1,200,000 on 30 September to cover 12 month's insurance.
- (d) On reviewing debtors, it was discovered that a debt of 800,000 would not be recovered and that a further 1,200,000 was doubtful.
- (e) Depreciating is 25 per cent reducing-balance on motors on 10 per cent straight-line on fixtures and fittings.
- (f) Loan interest at 10 per cent has not been allowed for.

Required.

Prepare a profit and loss account and balance sheet for Matt Spode to cover the period in question.