1. The trial balance of Amanda Ltd as at 30 April 2018 did not balance. On investigation, the following errors were discovered:
   1. A loan of Sh.2,000,000 from one of the directors has been correctly entered in the cashbook but posted to the wrong side of the loan account.
   2. The purchase of a motor vehicle on credit fro Sh.2,860,000 had been recorded by debiting the supplier’s account and crediting the motor expenses account.
   3. A cheque for Sh.80,000 from Ogola, a customer to whom goods are regularly supplied on credit, was correctly entered in the cashbook but was posted to the credit of bad debts recovered account in the mistaken belief that it was a receipt from Agola, a customer whose debt had been written off three years earlier.
   4. In reconciling the company’s cash book with the bank statement, it was found that bank charges of Sh.38,000 had not been entered in the company’s records.
   5. The totals of the cash discount columns in the cashbook for the month of April 2018 had not been posted to the respective discount accounts.

The figures were:

|  |  |
| --- | --- |
|  | **Sh.** |
| Discounts allowed | 184,000 |
| Discounts received | 397,000 |

* 1. The company had purchased some plant on 1 March 2017 for Sh.1,600,000. The payment was correctly entered in the cashbook but was debited to the plant repairs account. Depreciation on such plant is provided for at the rate of 20% per annum on cost.

**Required:**

(i) Journal entries with narrations to correct the above errors.

(ii) Suspense accounts showing the original difference

**(15 MARKS)**

**Question Two**

The following balances were extracted from the books of Bashara Kabwa Enterprises, a wholesale business, as at 31 October 2018:

Drawings 660,000

Trade receivables 990,000

Purchases 2,303,840

Sales returns 79,420

Capital 4,101,100

Trade payables 330,000

Sales 4,691,280

Purchases returns 120,340

Discount received 93,720

Provision for depreciation: Motor vehicles 176,000

Fixtures and fittings 63,800

Allowances for doubtful debts 44,000

15% bank loan 220,000

Salaries and wage 1,034,000

Discount allowed 54,560

Bank balance 568,260

Cash in hand 26,400

Electricity expenses 103,840

Rent and rates 54,560

Freehold premises (cost) 1,569,700

Fixtures and fittings (cost) 334,400

Motor vehicles (cost) 462,000

Stationery 34,320

Postage and telephone expenses 44,000

Insurance premiums 13,200

Bad debts written off 15,840

Motor vehicle expenses 84,920

Inventory (1 November 2017) 1,393,480

Interest on bank loan 16,500

**Additional information:**

1. The value of inventory as at 31 October 2018 was Sh. 1,036,400
2. Sales includes Sh. 300,000 worth of goods sold by Bashara Kabwa Enterprises agents, who are allowed 15% commission on such sales. This transaction has not been recorded in the books.
3. Depreciation is to be provided as follows:

Fixtures and fittings – 10% per annum on reducing balance basis.

Motor vehicle – 15% per annum on straight line basis.

1. Annual insurance premium amounted to Sh. 12,000.
2. As at 31 October 2017, there was a balance of Sh. 65,000 received from a customer in cash.
3. Salaries and wages were in arrears of Sh. 35,000
4. The Electricity bill for the month of October of Sh. 14,500 was received on 5 November 2018.
5. An allowance of 5% is to be maintained for doubtful debts.
6. Goods worth Sh. 48,840 had been distributed to potential customers as free samples.

**Required:**

1. Income statement for the year ended 31 October 2018
2. Statement of Financial position as at 31 October 2018 (15 MARKS)