

INTRODUCTION OF BOOK KEEPING

Book keeping: can be defined as the art of recording financial business transaction in the set of books in terms of money or money's worth.

Objectives of Book keeping.

The following are the major objectives of book keeping;

1. To ascertain/determine the amount of profit or loss arising in the course of business.

If the business man/woman keep records by all means he/ she should know whether they run business into profit or losses.

2. Knowledge of Credit dealing.
To know the amount of debtors and creditors and (customers and suppliers respectively)

A business Man/ Woman obtained the knowledge of Credit dealing.

3. Business control

A business man / woman can be able to control his /her business as required by the principle, because he /she would be able to follow the proper records.

4. Fair tax assessment

The income tax department requires proper records in order to determine a fair [reasonable] tax charge

5. To determine the financial position of the business

In order to know the value of property and the amount of capital and capital efficiency, the business man/woman need to keep the record of book keeping, the owned and their capital increase or decrease.

COMMON BOOK KEEPING TERMS

1. **Business;** Is an undertaking / activities/ process involved in buying and selling goods and services on profits. **Or**

Is an activity carried out with an intention / aim of making profit.

2. **Capital;** Capital may be defined as amount of money which a trader begins his business.**Or**

Is amount of money on money worth which owner provides to start business.

3. **3. Proprietor:** - is an owner of business who provides capital to his business.
4. **4. Goods:** - Things which can be seen and touched whereby a business can buy or sell.
5. **5. Services:** - Is an activity done by the business man/ woman in order to get money e.g Shoe shining, teaching, treatment, transporting, clearing. Etc.
6. **6. Profit:** - Is the excess of income over expenses/ (income – expenses). Occurred when the income is greater/higher than expenses.
7. **7. Loss:** - is the excess of expenses over income/(Expenses – income), it occurs when the expenses are higher than income.
(Expenses > income).
8. **8. Transactions:** - is the movement of money or money's worth (value) from one person to another.

Example: Juma paid sh 1000/= to Hamis. This is a transaction because Tshs 1000/= have been moved from Juma to Hamisi.

9. **9. Debtor:-** is a person who owes money to the business usually is the customers who receive service on credit from the business.
10. **10. Creditor:-** is the person to whom money is owing by the business. The one who supplies/sell or render service on credit to the business.

BU **BUSINESS** **TRANSACTIONS**
Business transaction refers to movement of money or money's worth from one person to another or from one part to another.

Money's worth means anything of money value i.e anything which can be bought or sold like soda, house, sugar, shoes etc.
 For something to be a transaction there must be at least movement of either money, goods or service from one part to another.

Example of business transactions are:

1. **Business bought goods and pay cash Tshs. 9,000/=**
 The above statement is a transaction because it carries movement of money from the business to the supplier of goods and movement of goods from the supplier to the business.
2. **Business paid cash Tshs. 500 for transport.**
 The above statement is a transaction because it carries movements of money from the

business to the transporter and movement of service from the transporter to the business.

NB: Not necessary for a single transaction to have two movements at one time. Single transaction can have movement of money and goods or money and service, money only, goods only or service only.

ANALYSIS OF BUSINESS TRANSACTIONS.

(i) Each transaction has two aspects, that of giving and that of receiving. These aspects may be represented by the movements discussed above. These aspects are the ones recognized and recorded in the books of accounts.

(ii) Each transaction has two parties involved and one of these two parties is always the business because it is the business dealing with other parties. In teaching, the actor in each transaction is the business.

Examples:

From the following transactions, identify the two parties and two aspects involved.

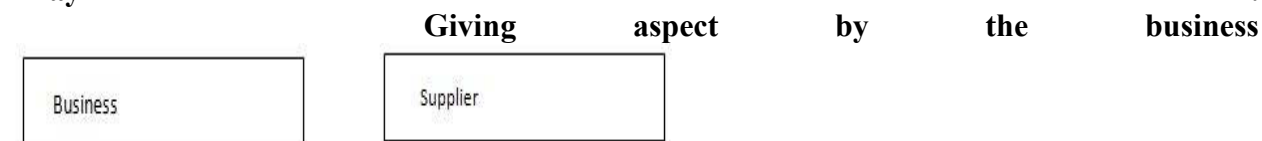
Transaction 1
May 1. Business purchased goods for cash Tshs. 6000.

Solution.

- The action word in the above transaction is **purchase** and therefore the business is one which made the purchase.
- The individual or business from whom goods are purchased are called **suppliers**.

Two parties involved in the above transaction are Business and Supplier. The above task can be summarized as follows:

May 1.



Re Receiving aspect by the business.

NB: Whenever goods are purchased by the business for cash, the business will receive the goods and pay money.

Transaction 2.
May 2. Business sold goods for cash Tshs. 9,000

Solution

- The action word in the transaction is sale and therefore it should be assumed that the business is the one which has made the action of selling.

- Those people to whom goods are sold are called customers.

The two parties involved in the above transaction are Business and the customer. The above task can be summarized as follows:

May

2.

Giving aspect by the business



Receiving aspect by the business.

Transaction

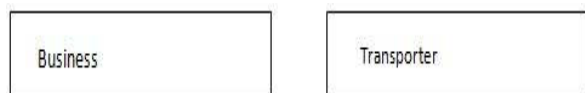
3

May 4. Business paid cash Tshs. 1000 for transport.

- The action word there is pay-meaning that the payment was made by the business.
- Those individuals who provide transport may be called transporters.

Two parties involved in the above transactions are the Business and transporter. The above task can be summarized as follows:

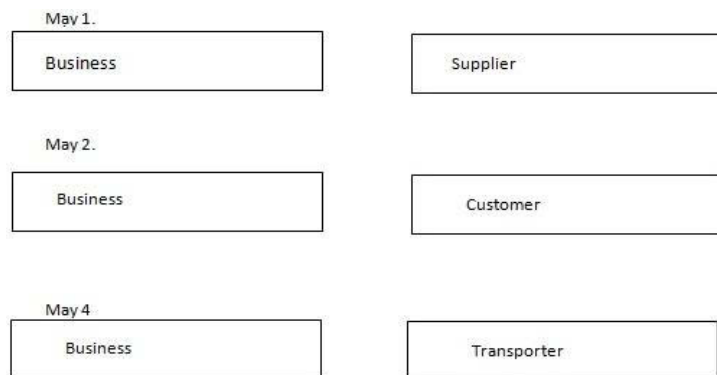
Giving aspect by the business



Receiving aspect by the business.

NB: Whenever the business pay for something which cannot be seen or touched, that thing is a service.

The answer from the three transactions may be presented without narrations as follows:



Activity

Answer the following questions:

1. Briefly explain what is meant by the term transaction.
2. Give three examples reflecting business transaction.
3. Indicate with tick which of the following are not business transactions. Give reason for stand.
 - (a) Juma sold goods worth Tshs. 4000.
 - (b) Marketing officer attended a meeting of board of directors.

- (c) The business bought goods for cash.
 (d) Human resource manager wrote a warning letter to a worker.
 4. For each of the following transactions indicate the two parties involved and the two aspects carried.
 The first one is done for you.
 (a) The business bought goods for cash.
 (b) Business paid salary in cash.
 (c) Paid insurance.
 (d) Business made a cash sales.

Solution:

(a)

Business

Transporter

DOUBLE ENTRY SYSTEM

Meaning:

Is the book keeping principle of recording transactions twice in a book of account whereby the principle states that every debit entry must have corresponding credit entry and every credit entry must have corresponding debit entry with the same amount.

The fundamental rule to double entry system is to debit the account what is received and credit what is given out.

Example; Mr. Juma started business on 1st June 2008 with capital in cash 30,000/=

- June 2. With capital in cash 30,000/=
3. Bought goods for cash Sh. 22,000/=
4. Sold goods for cash of Sh 27,000/=
5. Paid carriages sh 850/=
10. Cash sales sh 12,000/=
15. Bought goods for cash sh 25,000/=
18. Paid rent sh 1,200/=
20. Paid advertising sh. 1,200/=
22. Sold goods for cash sh. 15,000/=

25. Cash sales to date sh. 20,000/=

26. Paid wages goods for cash sh 500/=

27. Purchased goods for cash sh 500/=

28. Sold goods for cash sh 350/=

Record the transactions in the appropriate ledger account.

Solution

DR				CASH A/C (L 1)				CR			
Date	Particular	Folio	Amount	Date	Particular	Folio	Amount				
1/6/2008	capital	2	30000	2/6/2008	Furniture	3	1000				
4/6/2008	Sales	5	27000	5/6/2008	Purchase	4	22000				
10/6/2008	Sales	5	12000	5/5/2008	carriage	6	850				
22/6/2008	Sales	5	15000	15/6/2008	Purchases	4	25000				
25/6/2008	Sales	5	20000	18/6/2008	Rent	7	1200				
28/6/2008	Sales	5	350	20/6/2008	Advert	8	750				
				26/6/2008	Wages	9	500				
				27/6/2008	Purchases	4	500				

Dr CAPITAL ACCOUNT (2)

Cr

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
				1/6/2008	cash		30000

Dr FURNITURE ACCOUNT (3)

Cr

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
2/6/2008	Cash		1000				

Dr PURCHASES ACCOUNT (4)

Cr

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
------	------------	-------	--------	------	------------	-------	--------

3/6/2008	Cash		22,000				
15/6/2008	Cash		25,000				
27/6/2008	Cash		500				

Dr **SALES ACCOUNT (5)** **Cr**

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
				4/6/2008	Cash		27000
				10/6/2008	Cash		12000
				22/6/2008	Cash		15000
				25/6/2008	Cash		20000
				28/6/2008	Cash		350

Dr **CARRIAGE ACCOUNT (6)** **Cr**

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
5/6/2008	Cash		850				

Dr **RENT ACCOUNT (7)** **Cr**

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
18/6/2008	Cash		1200				

Dr **ADVERTISING ACCOUNT (8)** **Cr**

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
20/6/2008	Cash		750				

Dr **WAGES ACCOUNT (9)** **Cr**

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
26/6/2008	Cash		500				

EXERCISE

Tatu commenced a business on 1st August 1980 by introducing Sh. 30,000 in cash.

August 1. Purchased goods for cash 15,000

1. Paid carriage on goods purchased 100.

5. Sold goods for cash 13,000

6. Paid carriage on sales 150

10. Cash purchases 10,000

15. Cash sales 12,500

20. Paid laborers in cash 1,200

25. Paid Electricity 50

28. Cash sales 1,000

30. Paid water bill in cash 45TQ

30. Payment made for purchases 5,000

Post the above transactions in the ledger.

DR CASH ACCOUNT (L 1) CR

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
1/8/1980	capital	2	30000	1/8/1980	Purchases	3	15000
5/8/1980	Sales	5	13000	1/8/1980	Carriage	4	100
15/8/1980	Sales	5	12500	6/8/1980	Carriage	4	150
28/8/1980	Sales	5	1000	10/8/1980	Purchase	3	10000
				20/8/1980	Laborers	6	1200
				25/8/1980	Electricity	7	50
				30/8/1980	Water bill	8	45
				30/8/1980	Purchases	3	5000

DR CAPITAL ACCOUNT (2) CR

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
				1/8/1980	cash		30,000

DR

PURCHASES ACCOUNT (3)

CR

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
1/8/1980	Cash		15,000	31/8/1980	Balance c/d		30,000
10/8/1980	Cash		10,000				
30/8/1980	Cash		5,000				
			30,000				30,000

DR

CARRIAGE ACCOUNT (4)

CR

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
1/8/1980	Cash		100				
6/8/1980	Cash		150				
			250				250

DR

SALES ACCOUNT (5)

CR

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
				15/8/1980	Cash		12500
				28/8/1980	Cash		1000
			26500				26500

DR

LABORERS ACCOUNT (6)

CR

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
20/8/1980	Cash		1200				

DR

ELECTRICITY ACCOUNT (7)

CR

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
25/8/1980	Cash		50				

DR WATER BILL ACCOUNT (8) CR

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
30/8/1980	Cash		45				

CREDIT TRANSACTIONS

A **Credit transactions** is a situations whereby goods are sold or bought but payments made later.

But the principles of book keeping requires that whenever the transactions made on Cash or on Credit, the records must be kept.

Sales on Credit

When goods are sold on Credit, the usual entries are Dr personal a/c to show the receipts of goods by the customers and credit sales a/c with the value of goods sold during that period.

Example:

Mr Juma bought goods costing Tshs 20,000 on credit from Hamida.

Solutions:

Double entry in the books Mr.Juma

Dr				PURCHASES A/C				Cr			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT				
	Hamida		20,000				20,000				

Dr				Hamida (Creditors)				Cr			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT				
					Purchases		20,000				

Example.2

Mathew sold goods on credit to Janeth Tshs 40,000/=.

Double entry in the books of Mathew.

Dr				SALES A/C				Cr			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT				
					Janeth		40,000				

Dr				JANETH A/C				Cr			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT				
	Sales		40,000				7,000				

The Balancing of Accounts

Means that each side of the account is total and the difference between two sides (Dr & Cr) is ascertained.

Balance lies on the side which has greater for example if the credit side is greater than debit side, the balance called credit balance.

The balance is written on the side has smaller/lesser total in order to make each side equal and the word balance c/d or c/f means balance carry down or forward of the trading period and then brought down or forward the balance by indicate the word (b/d & b/f) to the other side belong to the total as the example below shows:

Example:

record the following transactions in the ledger 2013.

- Jan 1 Commence business with Cash 60,000
- 2 Purchased goods for Cash 30,000
- 3 Paid office cleaners 2,000
- 4 Sold goods for cash 40,000
- 5 Paid wages 3,000
- 8 Purchased goods on credit from Ally 20,000
- 10 Sold goods to Aika for 25,000
- 11 Paid Ally in his account 10,000
- 12 Received from Aika 25,000

Enter the above transactions and balance the accounts at the end of the January and brought down the balance.

Solution

Dr CASH ACCOUNT (L1)				CR			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
Jan 1, 2013	Capital	L2	60,000	Jan 2, 2013	Purchases	L3	30,000
	Sales	L5	40,000		Cleaners	L4	2,000
	Aika's a/c	L7	25,000		Wages	L6	3,000
					Ally	L7	10,000
					Balance	c/d	70,000
			125,000				125,000
	Balance	b/d	70,000				

DR CAPITAL ACCOUNT (L2)				CR			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
	Balance	c/d	60,000		Cash		60,000
					Balance	c/d	60,000

DR SALES ACCOUNT (L5)				CR			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
	Balance	c/d	65,000		Cash		40,000
					Aika		25,000
			65,000		Balance	b/d	65,000

DR ALLY'S ACCOUNT (L7)				CR			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
	Cash		10,000		Purchases		20,000
	Balance	c/d	10,000		Balance	b/d	10,000

DR AIKA'S ACCOUNT (L8)				CR			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
	Sales		25,000		Cash		25,000

DR PURCHASES ACCOUNT (L4)				CR			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
	Cash		30,000		Balance	c/d	50,000
	Ally		20,000				
			50,000				
	Balance	b/d	50,000				

MASHIO'S

DR				CASH ACCOUNT				CR			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT				
2012 July 1	Capital	L2	1,000,000	2012 July 1	Purchases	L3	300,000				
	Sales	L6	500,000	3	Transport	L4	3,000				
	Masanja	L8	45,000	5	Wages	L7	20,000				
				11	Electricity	L9	5,000				
				18	Kimario	L5	70,000				
					General expenses	L10	2,000				
					Balance	c/d	1,145,000				
			1,545,000				1,545,000				
	Balance	b/d	1,145,000								

DR				CAPITAL ACCOUNT (L2)				CR			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT				
	Balance	c/d	<u>1,000,000</u>		Cash		<u>1,000,000</u>				
					Balance	b/d	1,000,000				

DR				PURCHASES A/C (L3)				CR			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT				
	Cash		300,000		Balance	c/d	370,000				
	Kimario		70,000								
			370,000				370,000				

DR				TRANSPORT A/C (L4)				CR			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT				
	Cash		3,000		Balance	c/d	3,000				
	Balance	b/d	3,000								

DR KIMARIO A/C (L5)				CR			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
	Cash		70,000		Purchases		70,000

DR SALES A/C (L6)				CR			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
	Balance	c/d	560,000		Cash		500,000
					sales		60,000
			560,000				560,000
					Balance	b/d	560,000

DR WAGES A/C (L7)				CR			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
	Cash		20,000		Balance	c/d	20,000
	Balance	b/d	20,000				

DR MASANJA'S A/C (L8)				CR			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
	Sales		60,000		Cash		45,000
					Balance	c/d	15,000
			60,000				60,000
	Balance	b/d	60,000				

DR ELECTRICITY A/C (L9)				CR			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
	Cash		5,000		Balance	c/d	5,000
	Balance	b/d	5,000				

DR EXPENSES A/C (L10)				CR			
DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
	Cash		2,000		Balance	c/d	2,000
	Balance	b/d	2,000				

CLASSIFICATION ACCOUNTING

Account can be classified into two main categories;

- Personal account.
- Impersonal account.

1. PERSONAL ACCOUNT

Personal account is for a name of persons or organizations. May contributes either asset or

liabilities of the business. They are either sundry debtors or creditors.

2. IMPERSONAL ACCOUNT

Impersonal accounts are sub divided into namely **real Account** and **Nominal account**.

2.1 REAL ACCOUNT

Represent all possessions of the business e.g. Cash, bank, motor van, furniture, filling stock and premises.

2.2 NOMINAL ACCOUNT

Are further sub divided into two:-

a) Revenue accounts:

E.g. Discounts received, Sales, commission received and other income, revenue account are capital in nature.

They have an increase effects.

b) Expenses accounts:

E.g. Purchased discount allowed and wages expenses accounts are also capital in nature but they have a decrease effects.

Example:

Name of account	Classification
1. Building	Real account
2. Furniture	Real account
3. Sales	Nominal account
4. Purchases	Nominal account
5. Capital	Personal account
6. Cash	Real account
7. Bank	Real account
8. Mwita	Personal account
9. MUHIMBILI Hospital.	Personal account
10. Motor van	Real account
11 Profit	Nominal account
12. Discount allowed	Nominal account
13. Discount received	Nominal account

TRIAL BALANCE

TRIAL

BALANCE

Can be defined as statement showing a list of debt (DR) and credit (CR) balances of account extracted from the ledger to check arithmetical accuracy of the double entry systems.

Recording of business transactions at any given date.

The trial balance would appear as follows:-

TRIAL BALANCE AS AT

S/N	Name of account	DR	CR
1	Cash	XXX	
2	Capital		XXX
3	Purchases	XXX	
4	Sales		XXX
5	Office cleaning	XXX	
6	Carriage	XXX	
9	Wages	XXX	
		XXX	XXX

EXAMPLE.1

1. Hana commenced business on 1st June 1980 with capital in cash 20,000.00

June, 2.	Bought goods for cash	12,000.00
3.	Bought furniture for cash	2,000.00
5.	Paid transports charges	2,000.00
6.	Cash sales	17,000.00
8.	Bought goods for cash	15,000.00
10.	Purchased goods for cash	5,000.00
12.	Paid rent	800.00
15.	Sold goods for cash	21,000.00
18.	Sold goods for cash	3,000.00
20.	Paid carriage	150.00

22. Paid wages 350.00

Required: Enter the above transactions in the ledgers, complete the double entry, balance the accounts at the end of the month and prepare a balance.

Solution

DR

CASH ACCOUNT (L1)

CR

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
1/6/1980	Capital	2	20,000	2/6/1980	Purchases	3	12,000
6/6/1980	Sales	6	17,000	3/6/1980	Furniture	4	2,000
15/6/1980	Sales	6	21,000	5/6/1980	Transport	5	250
18/6/1980	Sales	6	3,000	8/6/1980	Purchases	3	15,000
				10/6/1980	Purchases	3	5,000
				12/6/1980	rent	7	800
				20/6/1980	carriages	8	150
				22/6/1980	wages	9	350
				30/6/1980	Balance c/d		25,450
			61,000				61,000
1/7/1980	Balance b/d		25450				

Debit (DR)

CAPITAL ACCOUNT 2

Credit (CR)

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
30/6/1980	Balance c/d		20,000	1/6/1980	Cash		20,000
				1/7/1980	Balance b/d		20,000

Debit (DR)

PURCHASES ACCOUNT 3

Credit (CR)

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
2/6/1980	Cash		12,000	30/6/1980	Balance c/d		32,000
8/6/1980	Cash		15,000				
10/6/1980	Cash		5,000				
			32,000				32,000
1/7/1980	Balance b/d		32,000				

Debit (DR)

FURNITURE ACCOUNT 4

Credit (CR)

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
3/6/1980	Cash		2,000	30/6/1980	Balance c/d		2,000
1/7/1980	Balance b/d		2,000				

Debit (DR)

TRANSPORT ACCOUNT 5

Credit (CR)

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
5/6/1980	Cash		250	30/6/1980	Balance c/d		250
1/7/1980	Balance b/d		250				

Debit (DR)

SALES ACCOUNT 6

Credit (CR)

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
30/6/1980	Balance c/d		41,000	6/6/1980	Cash		17,000
				15/6/1980	Cash		21,000
				18/6/1980	Cash		3,000
			41,000				41,000
				1/7/1980	Balance b/d		41,000

Debit (DR)
(CR)

RENT ACCOUNT 7

Credit

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
12/6/1980	Cash		800	30/6/1980	Balance c/d		800
1/7/1980	Balance b/d		800				

**Debit (DR)
(CR)**

CARRIAGE ACCOUNT 8

Credit

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
20/6/1980	Cash		150	30/6/1980	Balance c/d		150
1/7/1980	Balance b/d		150				

Debit (DR)

WAGES ACCOUNT 9

Credit (CR)

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
20/6/1980	Cash		350	30/6/1980	Balance c/d		350
1/7/1980	Balance b/d		350				

TRIAL BALANCE AS AT

S/N	Name of account	Debit (DR)	Credit (CR)
1	Cash	25,450	
2	Capital		20,000
3	Purchases	32,000	
4	Furniture	2,000	
5	Transport	250	
6	Sales		41,000
7	Rent	800	
8	Carriage	150	
9	Wages	350	
		61,000	61,000

EXAMPLE.2

Kija started business on 1st July with capital in cash 60,000.00

July. 2. Bought goods for cash 35,000

3. Bought furniture 5,000

4. Bought scales for cash 2,000

5. Cash sales to date 45,000

7. Bought goods for cash 20,000

8. Paid transport charges 280

10. Paid electricity bill 850

15. Sold goods for cash 25,000

20. Paid rent 2,500

Required: Enter the above transactions in the ledgers, complete the double entry, balance the accounts at the end of the month and prepare a balance.

Solution

Debit (DR) CASH BOOK ACCOUNT 1 Credit (DR)

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
1 st July	Capital	2	60,000	2 nd July	Purchases	3	35,000
5 th July	Sales	6	45,000	3 rd July	Furniture	4	5,000
15 th July	Sales	6	25,000	4 th July	Scales	5	2,000
				7 th July	Purchases	3	20,000
				8 th July	Transport	7	280
				10 th July	Electricity	8	850
				20 th July	Rent	9	2500
				31 st July	Balance c/d		64,370
			130,000				130,000
1 st August	Balance b/d		64,370				

Debit (DR) CAPITAL ACCOUNT (2) Credit (CR)

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
31 st July	Balance c/d		60,000	1 st July	Cash		60,000
				1 st August	Balance b/d		60,000

--	--	--	--	--	--	--	--

Debit (DR)

PURCHASES ACCOUNT (3)

Credit (CR)

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
2 nd July	Cash		12,000	31 st July	Balance c/d		55,000
7 th July	Cash		15,000				
			55,000				55,000
1 st August	Balance b/d		55,000				

Debit (DR)

FURNITURE ACCOUNT (4)

Credit (CR)

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
3 rd July	Cash		5,000	31 st July	Balance c/d		5,000
1 st August	Balance b/d		5,000				

Debit (DR)

SCALES ACCOUNT (5)

Credits (CR)

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
4 th July	Cash		2,000	31 st July	Balance c/d		2,000
1 st August	Balance b/d		2,000				

Debit (DR)

SALES ACCOUNT (6)

Credit (CR)

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
31 st July	Balance c/d		70,000	5 th July	Cash		45,000
				15 th July	Cash		25,000
			70,000				70,000
				1 st August	Balance b/d		70,000

Debit (DR)

TRANSPORT ACCOUNT (7)

Credit (CR)

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
8 th July	Cash		280	31 st July	Balance c/d		280
1 st August	Balance b/d		280				

Debit (DR)

ELECTRICITY ACCOUNT (8)

Credit (CR)

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
10 th July	Cash		850	31 st July	Balance c/d		850
1 st August	Balance b/d		850				

Debit (DR)

RENT ACCOUNT (9)

Credit (CR)

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
20 th July	Cash		2,500	31 st July	Balance c/d		2,500
1 st August	Balance b/d		2,500				

TRIAL BALANCE AS AT 31st JUNE

S/N	Name of account	Debit (DR)	Credit (CR)
1	Cash	64,370	
2	Capital		60,000
3	Purchases	55,000	
4	Furniture	5,000	
5	Scales	2,000	
6	Sales		70,000
7	Transport	280	
8	Electricity	850	
9	Rent	2,500	

		130,000	130,000

FINAL ACCOUNT

Trading Account & Profit and Loss Account

Purpose of business is to earn profit. Trader is in position to know how well he has fared during a trading period. Uncommon for a business end up into a loss. The trader determines the profitability of the business by preparing financial Account, Profit and Loss Account.

Trading Account

The purpose of this account determines gross profit or loss. **Gross profit** is the excess of the sales over cost of goods sold, including the expenses directly attributable to put goods in a saleable condition.

The cost of the goods is represented by the value of the goods purchased during the period, including carriage in bringing the goods to the trade premises.

$$\text{Gross profit (GP)} = \text{Sales} - \text{Purchases.}$$

$$\text{Gross loss (GL)} = \text{Purchases} - \text{Sales.}$$

Stock: Unsold goods and are of two kinds, opening stock and closing stock.

Opening stock: is unsold goods which available at the beginning of trading period e.g. Available before starting business.

Closing stock: unsold goods available at the end of trading period i.e. goods remained unsold at the end of trading period.

TRADING PERIOD

Is the period which a proprietor uses to evaluate his / her business to check of earn/ profit or losses from a business. Usually will be one year.

TRADING ACCOUNT FORMAT.

DR

TRADING ACCOUNT

CR

Details/Particular	Amount	Details/Particular	Amount
Opening Stock	xxx	Sales	xxx
Add: Purchases	xxx		
Goods available for sales	xxx		
Less: Closing stock	xxx		
Cost of goods sold	xxx		
Gross profit c/d	xxx		xxx
		Gross Profit b/d	xxx

Example.1:

Prepare trading Account for the year ended 2008.

Purchases 18,000

Sales 27,000

Stock at 1.1.2008 3,000

Stock at 31.12.2008 1,500

Solution

DR

TRADING ACCOUNT FOR THE YEAR ENDED 31.12.2008

CR

Details/Particular	Amount	Details/Particular	Amount
Opening Stock	3,000	Sales	27,000
Add: Purchases	18,000		
Good available for sales	21,000		
Less: Closing stock	1,500		
Cost of goods sold	19,500		
Gross profit c/d	7,500		
	27,000		27,000
		Gross Profit b/d	7,500

EXERCISE.1

PREPARE TRADING Account for the year ended 2008.

Purchases	12,000		
Sales	30,000		
Stock at 1.1.2008	5,000		
Stock	at	31.12.2008	2,000

EXERCISE.2

Prepare trading Account for the year ended 2008

Purchase	70,000
Sales	120,000
Stock at 1.1.2008	30,000
Stock at 31.12.2008	25,000

EXERCISE.3

Prepare trading Account for the given the following.

Purchases	170,000
Sales	180,000
Stock at 1.7.2006	60,000
Stock at 30.6.2007	40,000

Solution.QN1

DR TRADING ACCOUNT FOR THE YEAR ENDED 31.12.2008 CR

Details/Particular	Amount	Details/Particular	Amount
Opening Stock	5,000	Sales	30,000
Add: Purchases	12,000		
Good available for sales	17,000		
Less: Closing stock	2,000		
Cost of goods sold	15,000		
Gross profit c/d	15,000		
	30,000		30,000
		Gross Profit b/d	15,000

Solution.QN2

DR TRADING ACCOUNT FOR THE YEAR ENDED 31.12.2008 CR

Details/Particular	Amount	Details/Particular	Amount
Opening Stock	30,000	Sales	120,000
Add: Purchases	70,000		
Good available for sales	100,000		
Less: Closing stock	25,000		
Cost of goods sold	75,000		
Gross profit c/d	45,000		
	120,000		120,000
		Gross Profit b/d	45,000

Solution.QN3

DR TRADING ACCOUNT FOR THE YEAR ENDED 31.12.2008 CR

Details/Particular	Amount	Details/Particular	Amount
--------------------	--------	--------------------	--------

Opening Stock	60,000	Sales	180,000
Add: Purchases	170,000	Gross loss	10,000
Good available for sales			
	230,000		
Less: Closing stock	40,000		
Cost of goods sold	190,000		
	190,000		190,000
Gross loss	c/d 10,000		

PROFIT AND LOSS ACCOUNT

This account is used to determine net profit or net loss.

Net profit means actual profit obtain in the business which credited to the profit and loss a/c.

DR PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 2008

CR

Transport	Xxxx	Gross profit	b/d Xxxx
Rent	Xxxx	Discount received	Xxxx
Other expenses	Xxxx		
Net profit	Xxxx		
	Xxxx		Xxxx

Carriage Inwards.

Means transport of goods purchased. This occurs when a buyer has been paid the cost of transporting goods.

Carriage Outwards.

Transport charge of goods which paid by seller to transport goods to his customer. This occurs when seller paid cost of transporting goods.

RETURNS.

Return Inwards.

This occurs when the seller received goods returned from his customer.

Return Outwards

This occurs when the buyer returned goods to his supplier.

EXAMPLE

Prepare profit and loss Account from example given for the year ended 2004.

Gross profit	45,000
Stationary	9,000
Water bill	7,500
Electricity	5,000
Wages	2,800
General expenses	5,500

Solution

DR PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 3 DEC 2004 CR

Details	Amount	Details	Amount
Stationary	9,000	Gross profit	45,000
Water bill	7,500		
Electricity	5,000		
wages	2,800		
General expenses.	5,500		
Net profit	15,200		
	45,000		45,000

EXERCISE.1

Prepare profit and loss Account from the example given for the year ended 2007.

Gross profit	120,000.
Stationery	22,000.
Water bill	15,000.
Electricity	58,000.
Wages	7,500.
General exp.	42,300.

EXERCISES 2

PREPARE PROFIT AND LOSS Account from the example given for the year ended 2002.

Gross profit	150,000
Stationary	33,000
Water bills	10,000
Electricity	28,000
Wages	15,000
General exp	3,000

EXERCISE 3.

Prepare trading, Profit and loss Account for the year ended 30 June 2003

Purchase	140,000
Sales	220,000
Stock at 1.July 2003	25,000
Stock at 30 June 2003	5,000
Traveling expenses	1,050
Electricity	1,200
Wages	3,000

General expenses	5,000
Rent	2,500

EXERCISE.4

Given the following information prepare Trading, Profit and loss Account for the year ended 2006.

Stock on July 2005	35,000
Stock on June	20,000
Purchases during the year	97,000
Sales during a year	180,000
Carriage inwards	7,000
Carriage outwards	5,000
Return in ward	3,000
Return out ward	1,200
Water bill	2,000
Stationery	2,500
Wages	2,500
Insurance	2,000
Stationery	1,000

EXERCISE.5

Prepare trading, profit and loss Account for the year ended 2006.

Stock at July 2005 -	15,000
Stock at June 2006 -	32,000
Purchases during the year-	85,000

Sales during the year -	225,000
Carriage in ward -	5,200
Carriage out wards -	2,000
Return in wards-	5,000
Return out wards -	15,000
Stationery-	7,000
Insurance-	3500
Electricity -	2,500
Rent-	4,000
Fumigation-	3,500
Water bills	2,500

EXERCISE.6

June 1 Balance of cash in hand	500
Balance at bank	10,000
2 Received cash from Mbigili.	250
3 Paid Chacha by cheque	1,200
4 Received cheque from Minza and banked it.	300
6 Received cash from Tatiro	120
10 Paid rent by cheque	500
15 Paid wages by cash	200
18 Paid cash to bank	100
20 Drew cash from bank for office use	200

Enter the above transactions in the cash Book and carry down the balance as at 25th June.

SOLUTIONS

Solution.QN1

DR PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 2007

CR

Details	Amount	Details	Amount
---------	--------	---------	--------

Stationary	22,000	Gross profit	120,000
Water bill	15,000		
Electricity	5,800		
wages	7,500		
General expense.	42,300		
Net profit	27,400		
	120,000		120,000

Solution.QN2

DR PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 2007

CR

Details	Amount	Details	Amount
Stationary	33,000	Gross profit	150,000
Water bill	10,000		
Electricity	28,000		
wages	15,000		
General expense.	3,000		
Net profit	61,000		
	150,000		150,000

Solution.QN3

DR TRADING ACCOUNT FOR THE YEAR ENDED 31.12.2008

CR

Details/Particular	Amount	Details/Particular	Amount
Opening Stock	25,000	Sales	220,000
Add: Purchases	140,000		
Good available for sales	165,000		
Less: Closing stock	5,000		
Cost of goods sold	160,000		

Gross profit c/d	60,000	Gross profit b/d	
	220,000		220,000
			60,000

DR PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 2007 CR

Traveling exp	1,050	Gross profit	60,000
Electricity	1,200		
Wages	3,000		
General exp	5,000		
Rent	2,500		
Net profit	47,250		
	60,000		60,000

Solution.QN4

DR TRADING, P&L ACCOUNT FOR THE YEAR ENDED 31.12.2008 CR

Details/Particular	Amount	Details/Particular	Amount
Opening Stock	35,000	Sales	180,000
Add: Purchases	97,000	Less: Return in ward	3,000
Add: carriage in wards	7,000		177,000
Goods available for sales	139,000		
Less: Returned out ward	1,200		
	137,800		
Less: Closing stock	20,000		
cost of goods sold	117,800		
Gross profit c/d	59,200		
	177,000		177,000
		Gross profit c/d	59,200

Carriage out ward	5,000	
Water bill	2,000	
Stationery	2,500	
Wages	2,500	
Insurance	2,000	
Stationery	1,000	
Net profit	44,200	
	59,200	59,200
		-

Solution.QN5

DR TRADING, PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 2006 CR

Details/Particular	Amount	Details/Particular	Amount
Opening Stock	15,000	Sales	225,000
Add: Purchases	85,000	Less: Return in ward	5,000
Add: carriage in wards	5,200		220,000
Goods available for sales	105,200		
Less: Returned out ward	15,000		
	90,200		
Less: Closing stock	32,000		
cost of goods sold	58,200		
Gross profit c/d	161,800		
	220,000		220,000
		Gross profit b/d	161,800
Carriage out ward	2,000		
Stationary	7,000		
Insurance	3,500		
Electricity	2,500		
Water bill	2,500		
Rent	4,000		
Fumigation	3,500		
Net profit	136,800		

	161,800	161,800
		-

ELEMENTARY BALANCE SHEET

ELEMENTARY

BALANCE

SHEET

Is a statement which shows that list of assets, liabilities and capital of business at as specific period.

The purpose of preparing the balance sheet is to show the financial position of business at the end of trading period.

CAPITAL: Is the amount of money invested in the business for further production or is the money used to start business.

NET PROFIT: is the excess of gross profit over total expenses.

NET LOSS: Is the excess of total expenses over gross profit.

DRAWINGS: Is the money or goods taken out of the business for private expenses.

For example, if a proprietor taken money out for private use.

LIABILITIES: these are the debts of the business.

LONG TERM LIABILITIES: these are debts which payment take more than one year. For example, A loan from bank

CURRENT LIABILITIES: These are debts paid for near which are paid for short period, example creditor.

ASSETS: Are the property of the business, is anything has got value in business and assist the business to go smoothly.

FIXED ASSETS: The properties of the business which stay for a long period of time for example, Building, motor van premises,

It is purchased for business and not for sales and per month increase profit.

ACCOUNTING EQUATION

Is an equation comprises two sides as in mathematics such as. $Y+3=4$

Accounting equation deals with accounting balance through balance sheet items such as Assets, Liabilities Capital.

Accounting Equation formulated in taking consideration in balance sheet items but liabilities side comprises long term liabilities and short term liabilities.

Therefore accounting equation should be;-

$$\text{CAPITAL} + \text{LIABILITIES (LONG TERM LIABILITIES)} = \text{ASSETS}$$

$$\text{CAPITAL} = \text{ASSETS} - \text{LIABILITIES}$$

$$\text{LIABILITIES} = \text{ASSETS} - \text{CAPITAL}.$$

BALANCE SHEET AS AT 31.12.2000

LIABILITIES	AMOUNT	ASSETS
Capital	Xxx	<u>FIXED ASSETS</u>
Add: net profit	Xxx	Buildings
	Xxx	Motor van
Less: drawings	Xxx	Furniture
	Xxx	
<u>LONG TERM LIABILITIES</u>		<u>CURRENT ASSETS</u>
Loan from bank	Xxx	Stock
		Debtor
		Cash in hand
<u>CURRENT LIABILITIES</u>		Cash in bank
Creditor	Xxx	
Bank over draft	Xxx	
	Xxx	

EXAMPLE.1

From the following information prepare balance sheet

Building	7,000
Debtor	9,500
Creditor	21,000
Machinery	33,000
Cash in hand	18,000
Bank loan	20,000
Capital	56,000
Drawings	2,000
Net profit	10,000
Stock at 31.12.2001	37,500

Solution.QN1

BALANCE

SHEET AS AT 31st Dec 2001

LIABILITIES	AMOUNT	ASSETS	AMOUNT
Capital 56,000		<u>FIXED ASSETS</u>	
Add: net profit <u>10,000</u>	66,000	Building 7,000	
		Machinery <u>33,000</u>	40,000
Less drawings	2,000		
	64,000		
<u>LONG TERM LIABILITIES</u>		<u>CURRENT ASSETS</u>	
Bank loan	20,000	Stock 37,500	
		Debtor 9,500	
<u>CURRENT LIABILITIES</u>		Cash in hand <u>15,000</u>	65,000
Creditor	21,000		
	105,000		105,000

EXAMPLE.2

From the information prepare Trading, profit and loss account and balance sheet as at 30th December 2006.

DETAILS	DR	CR
Sales		18600
Purchases	11556	
Carriage outsides	326	
Carriage inwards	234	
Stock at 1.1 2006	3776	
Return outward		355
Return inward	440	
Salaries of Wage	2447	
Motor	664	
Rent	576	
Sundry	1200	
Motor Vehicle	2400	
Fixture and Filing	600	
Debtors	4577	
Creditor		3043
Cash at bank	3876	
Cash in Band	120	

Drawings	2050	
capital		12844

Stock at 31 December 2006 is 4,998

Solution.QN2

DR TRADING, PROFIT AND LOSS

ACCOUNT FOR THE YEAR END OF 2006 CR

Details	Amount	Details	Amount
Opening Stock	3,776	Sale	18,600
Add Purchases	11,556	Less Return inward	440
Add carriage inward	234		18,160
Less: Return outwards	355		
	15,566		
	15,211		
Less: Closing stock	4,998		
cost of goods sold	10,213		
Gross profit c/d	7,947		
	18,160		18,160
Carriage outwards	326	Gross profit b/d	7,947
Salaries of wage	2,447		
Motor expenses	664		
Rent	576		
Sundry expense	1,200		
Net profit	2,734		
	7,947		7,947

BALANCE

SHEET AS AT 31st Dec 2006

LIABILITIES	Amount	ASSETS	Amount
Capital	12,844	<u>FIXED ASSETS</u>	
Add: net profit	2,734	Motor vehicle	2,400

	15,578	Fixture and fittings	600
Less drawings	2,050		
	13,528	<u>CURRENT ASSETS</u>	
<u>LONG TERM LIABILITIES</u>		Stock	4,998
-		Debtor	4,577
<u>CURRENT LIABILITIES</u>		Cash	120
Creditor	3,043	Cash at bank	3,876
	16,571		16,571

EXERCISE.

1

JUSTINA NYAMAI TRIAL BALANCE AS AT

31 DEC 2000

S/N	Name of A/c	DR	CR
1.	Stock 1 Jan 2000.	32,500	
2.	Office equipment	25,000	
3	Purchases	487,200	
4	Sales		722,100
5	Furniture	19,200	
6	Return in & out	18,400	12,400
7	Discount allowed	7,500	
8	Insurance	3,800	
9	Carriage in ward	100,200	
10	Carriage out ward	2,900	
11	Salaries	134,100	
12	Rent	29,600	

13	Office expenses	17,300	
14	Debtors	74,600	
	Commission received		25,000
15	Creditors		32,200
16	Bank over draft		13,500
17	Cash in hand	900	
18	Drawing	52,500	
19	capital		200,000
20			

Required;

Prepare Trading, Profit and loss A/C and the Balance sheet as at 31 Dec 2000.

FOR THE YEAR 2000		DR TRADING,PROFIT AND LOSS A/C		
Details/Particular	CR	Amount	Details/Particular	Amount
Opening Stock	32,500		Sales	722,100
Add: Purchases	487,200		Less: Return in ward	18,400
Add: carriage in wards	100,200	619,900		703,700
Less: Returned out ward		12,900		
cost of goods available for sale		607,000		
Less: Closing stock		44,300		
cost of goods sold		562,700		
Gross profit c/d		141,000		
		703,700		730,700
Carriage out ward		2,900	Gross profit b/d	141,000

Insurance	3,800	commission received	25,000
Salaries	134,100	Net loss	29,200
Rent	29,600		
Discounts	7,500		
Office expenses	17,300		
	195,200		195,200

BALANCE SHEET

AS AT 31 DEC. 2000

LIABILITIES		ASSETS	
Capital	200,000	<u>FIXED ASSETS</u>	
Less: net loss	29,200	Furniture	19,200
	170,800	Office equipment	25,000
Less drawings	52,500	<u>CURRENT ASSETS</u>	
	118,300	Stock	44,300
<u>LONG TERM LIABILITIES</u>		Debtor	74,600
		Cash	900
<u>CURRENT LIABILITIES</u>			
Creditors	32,200		
Bank over draft	13,500		
	164,000		164000

EXERCISE 2

Mbona draw up the following trial balance as at 30th Sept 1998,
Draft a trading, profit and loss account for the year ended 30th Sept 1998 and balance sheet as at that date.

Solution.QN2
AT 30th Sept 1998

TRIAL BALANCE AS

DETAILS	DR	CR
---------	----	----

Loan from Ndento		5,000
Capital		25,955
Drawings	8,420	
Cash at bank	3,115	
Cash in hand	295	
Debtors	12,300	
Creditors		9,370
Stock at 30/12/1997	23,910	
Motor van	4,100	
Office equipment	6,250	
Sales		130,900
Purchases	92,100	
Returns in wards	550	
Return out wards		307
Carriage out ward	309	
Motor van	1,630	
Carriage in ward	215	
Rent	2,970	
Telephone charges	405	
Wages & Salaries	12,810	
Insurance	492	
Office expenses	1,377	
Sundry expenses	284	
	171,532	171,532
Stock at Sept 1998 was Tshs. 27,475		

DR TRADING, PROFIT AND LOSS CR

ACCOUNT FOR THE

YEAR ENDED 2006

Details/Particular		Amount	Details/Particular	Amount
Opening Stock	23,910		Sales	130,900
Add: Purchases	92,100		Less: Return in ward	550
Add: carriage in wards	215	116,225		130,350
Less: Returned out ward		307		

cost of goods available for sale	115,918		
Less: Closing stock	27,475		
cost of goods sold	88,443		
Gross profit c/d	41,907		
	130,350		130,350
Carriage out ward	309	Gross profit	b/d 41,907
Motor expenses	1,630		
Rent	2,970		
Telephone charges	405		
Wages & salaries	12,810		
Insurance	492		
office expenses	1,377		
sundry expenses	284		
Net profit	21,630		
	41,907		41,907

BALANCE SHEET AS AT

30TH SEPT 1998

LIABILITIES	Amount	ASSETS	Amount
Capital	25,950	<u>FIXED ASSETS</u>	
Add: net profit	21,630	Furniture	4,100
	47,585	Office equipment	6,250
Less drawings	8,420		
	39,165	<u>CURRENT ASSETS</u>	
<u>LONG TERM LIABILITIES</u>		Stock	27,475
Loan from	5,000	Debtor	12,300
O.ndeto		Cash in hand	245
<u>CURRENT LIABILITIES</u>		Cash at bank	3,115
Creditor	9,370		
	53,535		53,535

EXERCISE.5

Salma and Omary CO.ltd started business with capital cash Tshs. 60,000 on 1st June.

June 2: Bought furniture and fitting Tshs. 10,000

3: Sold goods for cash	25,000
4: Sold goods for cash	33,000
5: Paid advertising	1,800
6: Bought goods for cash	30,000
7: Transport charges	500
12: Cash sales	25,000
15: Paid rent	550
16: Cash sales	15,000
17: Sold goods to Mwajuma	8,000
19: Bought goods from Mohamed	11,000
25: Paid wages	600
30: Stock at close	1,200.

Required;-

- Balance cash account
- Purchases, sales accounts
- Prepare Trial balance.

Solution.QN5

ACCOUNT 1				CASH BOOK			
CR				DR			
Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
1 st June	Capital	2	60,000	2 nd June	Furniture and fitting	3	10,000

4 th June	Sales	5	33,000	3 rd June	Purchases	4	25,000
12 th June	Sales	5	25,000	5 th June	Advertising	6	1,800
16 th June	Sales	5	15,000	6 th June	Purchases	4	30,000
17 th June	Sales	5	8,000	7 th June	Transport	7	500
				15 th June	Rent	8	550
				19 th June	Purchases	4	11,000
				25 th June	Wages	9	600
				31 st June	Balance c/d		61,550
			141,000				141,000
1 st July	Balance b/d		61,550				

ACCOUNT 2 **DR** **CAPITAL**

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
31 st June	Balance c/d		60,000	1 st June	Cash		60,000
				1 st July	Balance b/d		60,000

ACCOUNT 3 **DR** **FURNITURE AND FITTING**

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
2 nd June	Cash		10,000	31 st June	Balance c/d		10,000
1 st July	Balance b/d		10,000				

ACCOUNT 4 **DR** **PURCHASES**

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
------	------------	-------	--------	------	------------	-------	--------

3 rd June	Cash		25,000	31 st June	Balance C/d		66,000
6 th June	Cash		30,000				
19 th June	Cash		11,000				
			66,000				66,000
1 st July	Balance b/d		66,000				

ACCOUNT 5 **CR** **DR** **SALES**

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
31 st June	Balance c/d		81,000	4 th June	Cash		33,000
				12 th June	Cash		25,000
				16 th June	Cash		15,000
				17 th June	Cash		8,000
			81,000				81,000
				1 st July	Balance b/d		81,000

ACCOUNTS 6 **CR** **DR** **ADVERTISING**

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
5 th June	Cash		1,800	31 st June	Balance c/d		1,800
1 st July	Balance b/d		1,800				

ACCOUNT 7 **CR** **DR** **TRANSPORT**

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
7 th June	Cash		500	31 st June	Balance c/d		500
1 st July	Balance b/d		500				

ACCOUNT 8

CR

DR

RENT

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
15 th June	Cash		550	31 st June	Balance c/d		550
1 st July	Balance b/d		550				

ACCOUNT 9

CR

DR

WAGES

Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
25 th June	Cash		600	31 st June	Balance c/d		600
1 st July	Balance b/d		600				

AT 31TH JUNE

TRIAL BALANCE AS

S/N	Name of Account	DR	CR
	Cash	61,550	
	Capital		60,000
	Furniture and fitting	10,000	
	Purchases	66,000	
	Sales		81,000
	Advertising	1,800	
	Transport	500	
	Rent	550	
	Wages	600	
		141,000	141,000

EXERCISES

EXERCISE 1.1

Record the following transaction in the Cash account for January 1990.

- Jan
1. Commenced business with capital of 6000/=
 2. Purchased goods for cash 3,000/=
 4. Paid office cleaners 200/=
 5. Sold all the goods for cash 400/=
 7. Purchased goods for cash 2,000/=
 8. Paid rent 400/=
 10. Sold goods for cash 3,000/=
 13. Paid wages 100/=

EXERCISE 1.2

Musa commenced business on 1st June 1995 with 10,000 as capital

- June
2. Bought goods for 5,000
 4. paid office cleaner 500
 5. Bought parking material 100
 6. Sold goods 1,000
 7. Purchased goods and paid cash 1,800
 9. Paid wages 300
 10. Cash sales 2000
 12. Cash purchases 1,500.00
 15. Cash sales to date 2,500.00
 20. Paid rent 500.00

EXERCISE 2.1

Mashio commenced business on 1st June 2012 with 1,000,000 as capital.

- 2012
- July
- 1 Bought goods for cash 300,000
 - 1 Transport charges for cash 3,0000
 - 2 bought goods from Kimario 70,000

4 sold goods for cash 500,000
6 paid wages for cash 20,000
8 sold goods to Masanja 60,000
11 paid for electricity for cash 5,000
18 paid Kimario 70,000
24 paid for general expenses 2,000
28 received cash from Masanja 45,000

Enter the above transactions in the respectively ledger account, complete the double entry and bring down the balance at the end of the month July.

EXERCISE 3.1

PREPARE TRADING Account for the year ended 2008.

Purchases	12,000
Sales	30,000
Stock at 1.1.2008	5,000
Stock at 31.12.2008	2,000

EXERCISE 3.2

Prepare trading Account for the year ended 2008

Purchase	70,000
Sales	120,000
Stock at 1.1.2008	30,000
Stock at 31.12.2008	25,000

EXERCISE 3.3

Prepare trading Account for the given the following.

Purchases	170,000
Sales	180,000
Stock at 1.7.2006	60,000

Stock at 30.6.2007 40,000

SOLUTIONS TO EXERCISES

SOLUTION 1.1

DR				CASH A/C (L1)			
CR							
Date	Particular	Folio	Amount	Date	Particular	Folio	Amount
1/1/1990	Capital	L2	6,000	2/1/1990	Purchases	L3	3,000
5/1/1990	Sales	L5	400	4/1/1990	Office clement	L4	200
10/1/1990	Sales	L5	3,000	7/1/1990	Purchases	L3	2000
				8/1/1990	rent	L6	400
				13/1/1990	wages	L7	100

Solution 1.2

DR				CASH A/C (L1)				CR			
Date	Particular	Folio	Amount	Date	Particular	Folio	Amount				
1/6/1995	Capital	2	10,000	2/6/1995	Purchases	3	5,000				
6/6/1995	Sales	6	1000	4/6/1995	Office cleaner	4	500				
10/6/1995	Sales	6	2000	5/6/1995	P.material	5	100				
15/6/1995	Sales	6	2500	7/6/1995	Purchases	3	1800				
				9/6/1995	wages	7	300				
				12/6/1995	purchases	3	1500				
				20/6/1995	Rent	8	500				
				30/6/1995	Balance c/d		5800				

Solution 2.1

MASHIO'S

DR

CASH ACCOUNT

CR

DATE	DETAILS	F	AMOUNT	DATE	DETAILS	F	AMOUNT
2012 July 1	Capital	L2	1,000,000	2012 July 1	Purchases	L3	300,000
	Sales	L6	500,000	3	Transport	L4	3,000
	Masanja	L8	45,000	5	Wages	L7	20,000
				11	Electricity	L9	5,000
				18	Kimario	L5	70,000
					General expenses	L10	2,000
					Balance	c/d	1,145,000
			1,545,000				1,545,000
	Balance	b/d	1,145,000				