

26.- SOURCE DOCUMENTS AND BOOKS OF ORIGINAL ENTRY

The topic entails;

- **Meaning of source documents; identify source documents and explain how they are used in recording business transactions**
- **Meaning a book of original entry**
- **Discussing the various types of books of original entry**
- **The journal as the main book of original entry and how to record information from source documents into relevant journals.**
- **Posting information from the journals to relevant accounts.**

1. The following data was extracted from the books of Mwauri Traders:

	31-12-2002	31-12-2003
	Shs.	Shs.
Salaries accrued	46 000	
Salaries prepaid		150 000
For the year ended 31-12-2003, salaries paid amounted to sh.200 000.		
<i>Prepare the salaries account as at 31st Dec. 2003</i>		

2. State **four** conditions necessary for the operation of the principle of indemnity in

Insurance

3. On 31st December,2009 details extracted from Khetia's Ltd. showed commission received for the year as Kshs. 60,000. Commission received in advance by 1st January,2009 was Kshs.12,000. Whereas commission received in advance as at 31st December, 2009 was Kshs. 24,000. Determine the commission income for the year 2009 that is posted to the profit and loss account
4. State the journal that deals with each of the following types of transactions

TYPE OF TRANSACTION	JOURNAL
i) Credit sales	
ii) Return of goods by customers	
iii) Return of goods to suppliers	
iv) Cash cheques received	
v) Credit purchases	
vi) Sale of fixed assets on credit	
vii) Purchase of a motor van on credit from general motors	

viii) Correction of errors	
----------------------------	--

5. From the following information prepare debtors control account for the year ended 31st Dec 2007

	Shs
Debtors balance 1-1-07	11,000
Credit sales	?
Bad debts written off	5,000
Return inwards	1,600
Receipts from debtors	31,000
Dishonoured cheque	2,800
Discount allowed	3,400
Debtors balance 31-12-07	25,300

26. SOURCE DOCUMENTS AND BOOKS OF ORIGINAL ENTRY

1. Journalize the following transactions which took place in the business of W. Wanjala during the month of June 2009:-

June 1 Balance B/f from May 2009 were:-
Office furniture shs.50,000 and motor vehicle

shs.100,000

June 2 Purchased office furniture on credit for shs.65,000 from Mwema furniture

June 10 Sold an old vehicle on credit to Omwami garage for shs.200,000

June 25. Discovered that a motor vehicle that had been bought on credit from Kanyere motor for Kshs.750,000, had been recorded in purchases account

June 28 Sold an old computer to classic academy on credit for ksh. 15,000

June 29 : Sold an old tractor whose book value is Kshs. 200,000 for Kshs.250,000
to Goseta

2. Mr. Osodo, a sole trader in Mumias town does not keep complete set of accounting books. However, the following information was obtained from his general operation book for the year ending 31/12/2009

	Shs.
Debtors balance on 1/1/2009	24000
Bad debts	2000
Creditors balance 1/1/2009	68000
Debtors balance on 31/12/2009	72000
Discount allowed	18000
Creditors balance on 31/12/2009	83600
Returns inwards	5600
Cash paid to creditors	590000
Returns outwards	10200
Cash received from debtors	298000
Discount disallowed	1000
Dishonored cheques	36000
Discount received	6000

Additional information

He also disclosed that he had paid cash purchases amounting to Shs.483400 and received cash sales of Shs.70000 for the year

Required; i) Prepare total debtors account and total creditors account

ii) Calculate total purchases and total sales for the year

3. On 1st June 2009, **Nyamira Traders** had cash in hand shs.87,000 and cash at bank Shs.250,000.

During the month, the following transactions took place:-

2009 June 2:- Cash sales shs.50,000 issued Receipt No.063

3:- Paid salaries and wages shs.101,500 by cheque ; cheque no. 083

6:- Received a cheque for shs.76,800 from Kemunto, after allowing her a cash discount of 4% issued a receipt No. 064

12:- Settled Omwabo's account of shs.40,000 in cash, having deducted shs.800 cash discount. Received receipt no. 0656

18:- Withdrew shs.30,000 from bank for office use

21:- Received shs.16,500 cash from Manwari in settlement of his account less shs.660 cash discount. Receipt No. 065

22:- Bought office furniture by cheque shs.85,000. Receipt No. 734

23:- Paid wages Shs.24,000 in cash receipt No. 801

28:- Withdrew shs.5000 cash for private use

30:- Received a cheque for shs.150,000 in respect of cash sales . Receipt No. 066

Required: Prepare:- (i) A cash receipts journal

(ii) A cash payment journal

4. The following is a trial balance of JAO traders as at 31/12/2009

	Dr (Shs)	Cr (Shs)
Capital		170000
Opening stock	60000	
Equipment at cost	125000	
Purchases	161000	
Sales	208000	
Discounts	2000	8000
Returns	27000	25000
Salaries	20000	
Telephone charges	5000	
Water bills	2100	
Creditors		15100
Debtors	21000	
Electricity expenses	2000	
Insurance paid	1000	
	426000	426000

Additional information

- i. Closing stock was valued at Shs.72000
- ii. Telephone charges prepaid was Shs.1000 and outstanding water bills was Shs.1300
- iii. Depreciation on equipment is 10% p.a on cost
- iv. Carriage inwards was Shs.11000 and carriage outwards Shs.10000

Prepare trading and profit loss account for the year ending 31/12/2009

5. During the month of March 2010 the petty cashier of Nyangija distributors made the following payment after receiving an imprest of shs12, 000 from the general cashier.

March 3 traveling	3500
March 6 office expenses	1000
March 8 postage	1200
March 15 staff tea	800
March 19 stationery	2000
March 22 office expenses	800
March 24 staff tea	1000
March 26 sundry expenses	700
March 31 F. Benson a creditor	900

Required: Using the analytical columns below prepare a petty cash book of Nyangija distributors

- Traveling
- Office expenses
- Postage
- Stationery
- Staff tea
- Sundry expenses
- Ledger accounts

6. The following extracted from the books of Mogusii Ltd. 2005

March 1. Credit purchases from Obwocha Sit 1200

Agwata sh. 3,000 and Nyauamba sh.2,500

March 5 Credit sales to Okero Sit 2,000, Michieka sh.4,300 and

Omwenga sh. 1500

March 10 Credit purchases from Onyancha Sh.2700

Obwocha sh 6600 and Ombaki sh.3300

“ 20 Returned goods to Obwocha sh.250 and Onyancha 703

26 Credit sales to Bundi sh.850. Tendu sh.630 and Okero-sh.900

“ 30 Goods were returned by Bundi sh.150 and Michieka sh.130

Required:

Enter the above transactions in their relevant day books