PRESIDENT'S OFFICE
REGIONAL ADMINISTARTION AND LOCAL GOVERNMENT

FORM FOUR EXAMINATION

062 BOOK KEEPING SERIES 38

PROPOSED MARKING SCHEME

SECTION A (20 Marks)

1.

i	Ii	iii	iv	v	vi	vii	viii	ix	x	xi	xii	xiii	xiv	xv
C	C	C	A	C	A	B	E	B	**A**	D	C	C	C	B

01 Mark @ Total 15 Marks

2.

i	ii	iii	iv	v
E	A	C	D	J

01 Mark @ Total 05 Marks

SECTION B (40 Marks)

3.

(a) **Floating capital**: This is the capital which obtained by taking the summation of all current assets. This form of capital also known as Circulating capital.

(b) **Long-term liabilities**: These are debts/claims whose goes beyond one year. For example Bank loan

(c) **Government accounting**: is the system adapted by the government for proper maintenance of books of accounts which comprises analyzing, recording, summarizing, reporting and interpreting the financial transaction of the government

(d) **Nugatory expenditure**: Theses are payments made for which the government has received no value. Such payment may be due to payment made in excess of approved rates or with proper rates or without proper authority, services or goods paid twice payments for the service not received.

(e) **An Ambit of vote**: Is the total amount of money approved by the parliament for the various services as described in the parliament act.

02 Marks @ Total 10 Marks

4.

Advantages of single entry

(a). Simple and easy to practice: Single entry system is simple to understand and easy to maintain as has no fixed set of principles to be followed when preparing financial transactions.

(b). Economy: It is an economical system of recording financial transactions. This system does not require of hiring/employing an accountant to record financial transactions of the business.

(c). Easy to calculate profit: Under this system the amount of profit can be found easily. The amount of profit or loss of a given period can be determined by comparing the amount of closing capital and opening capital.

(d). Suitable for small business: It is suitable for small business because they can not afford the cost of double entry system. Small business are not require to maintain their books of accounts under double entry system.

Disadvantages of double entry system

(a). Unscientific and unsystematic: Because it does not have any set of fixed rules and principles for recording and reporting the financial transactions.

(b). Incomplete system: Because it does not record the two aspects of financial transactions of the business. No transactions relating to the nominal account and real account except cash account.

(c). Un acceptable for Tax purpose: The tax officer can not accept the account maintained under single entry system for the aim of tax assessment.

(d). Does not reflect true profit or loss: Under this system the true amount of profit or loss can not be ascertained because it doesn't maintained the nominal accounts.

(e). Fraud and errors: Because single entry system of Book keeping is incomplete, inaccurate and unscientific, it does not help to check the arithmetical accuracy of the books of accounts. Hence always there is a possibility of committing frauds and errors in the books of accounts.

(f). Does not reflect true financial position of the business: The single entry system does not maintain real accounts except cash book. Therefore it can not reveal the true financial position of the business.

(g). Lack of arithmetic accuracy: Single entry system is not based on the principle of debit and credit. It fails to provide the arithmetical accuracy of the books of accounts. Under this system trial balance can not be prepared to check the arithmetical accuracy of books of accounts.

Any Three advantages and any three disadvantages 1.2 Mark @ Total 10 Marks

5.

Solution:

$$5+4+3+2+1 = 15$$

$$\text{First year depreciation} = \frac{5(128{,}000 - 8{,}000)}{15}$$

$$= \frac{5(120{,}000)}{15} = \frac{600{,}000}{15}$$

First year depreciation = 40,000/=

$$\text{Second year depreciation} = \frac{4(128{,}000 - 8{,}000)}{15}$$

$$= \frac{4(120{,}000)}{15} = \frac{480{,}000}{15}$$

Second year depreciation = 32,000/=

Third year depreciation $= \frac{3(128,000 - 8,000)}{15}$

$= \frac{3(120,000)}{15} = \frac{360,000}{15}$

Third year depreciation = 24,000/=

Fourth year depreciation $= \frac{2(128,000 - 8,000)}{15}$

$= \frac{2(120,000)}{15} = \frac{240,000}{15}$

Fourth year depreciation = 16,000/=

Fifth year depreciation $= \frac{1(128,000 - 8,000)}{15}$

$= \frac{1(120,000)}{15} = \frac{120,000}{15}$

Fifth year depreciation = 8,000/=

02 Marks @ Total 10 Marks

6.

Dr. Subscription Account Cr.

	SHS.		**SHS.**
1st January 2002 Balance b/d (expired)	12,000	1st January 2002 Balance b/d (unexpired)	8,000
31st Dec 2002 Income and expenditure	118,000	2002 Cash	120,000
31st Dec 2002 Balance c/d (in advance)	10,000	31st Dec 2002 Balance c/d (Accrued)	12,000
	140,000		**140,00**
1st January 2003 Balance b/d (Accrued)	12,000	1st January 2003 Balance b/d (in advance)	10,000

01 Mark @ Total 10 Marks

SECTION C (40 Marks)

7.

Workings:

Dr. Debtors Control Account Cr.

	SHS.		**SHS.**
Balance b/d	142,780	Cash	317,450
Credit sales	298,000	Balance c/d	123,330
	440,780		**440,780**
Balance b/d	123,330		

Dr.	Creditors Control Account		Cr.
	SHS.		SHS.
Cash	172,700	Balance b/d	76,330
Balance c/d	62,890	Credit purchases	159,260
	235,590		**235,590**
		Balance b/d	62,890

$$\text{Margin} = \frac{\text{Gross profit}}{\text{Selling price}}$$

$$\frac{25}{100} = \frac{\text{Gross profit}}{298,000}$$

$$\frac{100GP}{100} = \frac{7,450,000}{100}$$

Gross Profit = 74,500/=

Solution:

Income Statement for the year ended 1st October 2001

		SHS.
Sales		298,000
Less: Cost of Goods Sold:		
Opening stock	124,800	
Add: Purchases	159,260	
Cost of goods available for sale (COGAS)	284,060	
Less: Closing stock	60,560	
Cost of goods sold (COGS)		223,500
Gross Profit		**74,500**

22 Ticks and each tick 0.91 Mark @ Total 20 Marks

8.

Statement of Financial Position as at 1st June 2000

			SHS.
Non Current Assets:			
Motor vehicle		250,000	
Machinery		170,000	420,000
Current Assets:			
Stock			
20,000			
Debtors	15,000		
Cash	3,000	73,000	
Bank			
35,000		34,000	39,000
Less Current Liabilities:			**459,000**
Creditors			

	150,000	
Financed by, Owner's Capital:	150,000	
Cheupe	150,000	450,000
Cheusi		
Chekundu	2,500	
Current Account:	1,500	
Cheupe	5,000	9,000
Cheusi		**459,000**
Chekundu		

Dr. Profit and Loss Appropriation Account Cr.

		SHS.		SHS.
Interest on capital:			Net Profit	142,500
Cheupe	3,000			
Cheusi	3,000			
Chekundu	3,000	9,000		
Share of Profit:				
Cheupe	44,500			
Cheusi	44,500			
Chekundu	44,500	133,500		
		142,500		**142,500**

Dr. Current Account Cr.

	Cheupe	**Cheusi**	**Chekundu**		**Cheupe**	**Cheusi**	**Chekundu**
Drawings	45,000	47,000	50,000	Balance b/d	2,500	1,500	-
				Bank	-	-	5,000
				Balance c/d	42,500	45,500	45,000
	45,000	**47,000**	**50,000**		**45,000**	**47,000**	**50,000**
Balance b/d	42,500	45,500	45,000				

Dr. Prtner's Capital Account Cr.

	Cheupe	**Cheusi**	**Chekundu**		**Cheupe**	**Cheusi**	**Chekundu**
Balance c/d	150,000	150,000	150,000	Balance b/d	150,000	150,000	-
				Bank	-	-	150,000
	150,000	**150,000**	**150,000**		**150,000**	**150,000**	**150,000**
				Balance b/d	150,000	150,000	150,000

Dr. Bank Account Cr.

	SHS.		SHS.
Capital (Chekundu)	150,000	Balance b/d	20,000
Current account (Chekundu)		Mortgage	100,000

	5,000	Balance c/d	35,000
Balance b/d			**155,000**
	155,000		
	35,000		

9.
Solution:

Dr. Consignment to Kamongo Account Cr.

		SHS.			SHS.
3rd March 2010 Goods Sent		360,000	Proceeds of sales (2500 Cases)		590,000
Consignor's expenses:			Proceeds of sales (250 Cases)		125,000
Insurance	15,000		Unsold stock value	30,000	
Freight	4,000	19,000	Expenses on unsold stock	2,867	
Consignee's expenses:			Unsold stock c/d		32,867
Port duty charges	7,200				
Storage charges	8,200				
Commission (29,500+6,250)	35,750				
Del credere commission (11,800+2,500)	14,300	65,450			
Profit on Consignment		303,417			
		747,867			**747,867**
Balance b/d		32,867			

Dr. Goods Sent Account Cr.

	SHS.		SHS.
Income statement/Trading Account	**360,000**	3rd March 2010 Consignment to Kamongo	**360,000**

Dr. Consignee(Kamongo) Account Cr.

	SHS.		SHS.
Proceeds of sales (2500 Cases)	590,000	Port duty charges	7,200
Proceeds of sales (250 Cases)	125,000	Storage charges	8,200
		Commission (29,500+6,250)	35,750

		Del credere commission (11,800+2,500)	14,300
		27th March 2010 **Bank Draft**	649,550
	715,000		**715,000**

Workings:

Commission on sales 5%

2500 Cases for 590,000 = $590{,}000 \times {}^{5}/_{100}$ = 29,500

1250 Cases for 125,000 = $1250{,}000 \times {}^{5}/_{100}$ = 6,250

Del credere Commission

2500 Cases for 590,000 = $590{,}000 \times {}^{2}/_{100}$ = 11,800

1250 Cases for 125,000 = $1250{,}000 \times {}^{2}/_{100}$ = 2,500

Calculation of unsold stock

Unsold stock value = Number of units unsold x Cost price per unit

= 250 x 120 = 30,000/=

Unsold stock value = 30,000/=

$$\text{Expenses on Unsold stock} = \frac{\text{Unsold stock unit}}{\text{Total units consigned}} \times (\text{Consignor's expenses} + \text{Direct expenses by Consignee})$$

$$= {}^{250}/_{3000} \times (15{,}000+4{,}000+7{,}200+8{,}200)$$

$$= {}^{250}/_{3000} \times 34{,}400$$

$$= \frac{8{,}600{,}000}{3{,}000}$$

Expenses on Unsold stock = 2,867/=

Alternative:

$$\text{Unsold stock} = \frac{\text{Unsold stock units}}{\text{Total units consigned}} \times (\text{Cost price} + \text{Consignor's expenses} + \text{Direct expenses by Consignee})$$

$$= {}^{250}/_{3000} \times (360{,}000 + 15{,}000+4{,}000+7{,}200+8{,}200)$$

$$= {}^{250}/_{3000} \times (394{,}400)$$

$$= \frac{98{,}600{,}000}{3000}$$

Unsold stock = 32,867/=

***Note**: All expenses by Consignee are direct except : Commission, Del credere Commission and selling & distribution expenses.*

35 Ticks and each tick 0.58 Mark @ Total 20 Marks