23. -BUSINESS TRANSACTIONS

The topic entails:-

- **Meaning and types of Business Transactions**
- **Identifying the effects on the balance sheet items and preparations of eventual balance sheet.**
- **Discussion on changes in capital**
- **The process of determining initial and final capital.**

1. The proprietor of the sunrise dealer had ksh.13,730/= as capital as at 1st January 2010.

The following transactions took place.

i) Sold goods worth ksh 3000/= for ksh.9000/=

ii) Deposited ksh.50, 000/= from his personal savings

If his capital as at 31st January 2010 was kshs.62, 230/=, determine the value of drawings for the month of January 2010.

2. For each of the following transactions indicate in the spaced provide the account to be debited, account to be credited and the ledger in which the account would be maintained

	Transaction	A/C to Debit	Ledger	A/C to credit	Ledger
(a)	Sold goods on credit to Kamau Kshs.10,000				
(b)	Paid rent by cash Kshs.500				

3. Indicate the balance sheet items which would be affected by the following transactions

(a) Purchase of a lawn mower by cheque

(b) Sale of goods on credit to Mwangi

(c) A debtor pays by cash

(d) The owner converted his personal car into a business asset

4. Given below are transactions relating to Mwala traders. For each of the transactions, indicate

in the column below the account to be debited and the account to be credited

Transaction	**Account to be debited**	**Account to be credited**
(i) Paid salaries in cash		
(ii) Withdraw cash from bank for office use		
(iii) Paid telephone bill by cheque		
(iv) Sold goods for cash		
(v) Purchased office equipment on credit from Mwala limited co.		

5. Mention **four** items that change capital of a business

6. The following balances relates to Onyonka traders as at 1st Jan. 2010

ONYONKA TRADERS
BALANCE SHEET
As at 1st Jan-2010

Debtors	120,000	Capital	140,000
Machinery	40,000	5years loan	290,000
Cash in hand	80,000	Creditors	30,000
Cash at bank	180,000		
Stock	40,000		
	460,000		**460,000**

The following transactions took place the same month:-
Jan 2^{nd} debtors paid in cash shs.20,000.
Jan. 31^{st} sold stock worth shs.20,000 for Shs.25,000 by cheque
Prepare a balance sheet as 31^{st} Jan. 2010

7. Show how the following transactions may affect the items of balance sheet, stating whether it is

an increase , decrease or no effect

Transaction	**Assets**	**Capital**	**Liabilities**
(a) Additional investment in cash			
(b) Purchase of stock by credit			
(c) Pre-paid loan in cash			
(c) Took a loan to pay another loan			

8. Okelo invested Kshs.120,000 into a business. At the end of the year, his capital was Kshs.160000

and his monthly drawing was Kshs.2000. Determine the net profit for the year

9. The following balance sheet relates to Hamisi traders as at 1^{st} January 2008.

Hamisi Traders
Balance sheet as at 1^{st} January 2008

	Shs	shs		Shs	shs
Capital		600 000	<u>Fixed assets</u>		
			Motor van		400 000
<u>Current liabilities</u>			<u>Current assets</u>		
Creditors	400 000		Stock	120 000	

Bank overdraft	300 000	700 000	Debtors	240 000	
			Cash	540 000	900 000
		1 300 000			1 300 000

Additional information:-

- On 2nd January 2008, Hamisi traders bought stock for cash at Shs 36 000
- On 10th January 2008, a debtor paid shs 26 000 to Hamisi traders
- On 13th January 2008, Hamisi used his personal cash to buy equipment for shs 47 000 for the business

Prepare Hamisi traders balance sheet as at 31st January 2008.

10. The following was obtained from the books of Wambui Mary for the ended 31st December,2007

Drawings	82000
Profit	170000
Additional investment	58000
Capital 1.1.2007	240000

Calculate the of Mary Wambui as at 31st Dec,2007

11. Queen Traders had the following information extracted from her books of accounts as at

31st Dec 2009:-

	Shs
Capital (1/1/009)	3,400,000
Additional capital	610,780
Drawings for the year	25,220
Capital (31/12/009)	4,900,000

Determine the profit for the year.

12. The following information relates to Ogello traders as at 31st Dec 2009:-

Capital (1-1-2009)	kshs. 100,000
Loss during the year	kshs.40,000
Investment	kshs 35,000

If the trader took goods worth kshs. 15,000 during the year for private use, calculate the capital of

the business as at 31-12-2009