

MARKING SCHEME
BOOK-KEEPING EXAMINATION
Series 22

SECTION A - 20 marks in total

1.

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

(15 @ 1 = 15 marks)

2.

list A:	i	ii	iii	iv	v
List B:	E	F	H	B	I

(05 @ 1 = 05 marks)

SECTION B (40 MARKS)

3.

JOINT VENTURE WITH BORA ACCOUNT

Bank: expenses	Shs. 1,600✓	Sales	Shs. 6,200✓
Shared profit	800✓		
Balance c/d	3,800✓		
	<u>6,200✓</u>		<u>6,200✓</u>
Cash settlement to Bora	3,800✓	Balance b/d	<u>3,800✓</u>

JOINT VENTURE WITH CHUKI ACCOUNT

Bank: expenses	Shs. 3,000✓	Balance c/d	Shs. 3,800✓
Shared profit	800✓		
	<u>3,800✓</u>		<u>3,800✓</u>
Balance b/d	3,800✓	Cash settlement from Chuki	<u>3,800✓</u>

MEMORANDUM JOINT VENTURE ACCOUNT

Expenses: Bora	Shs. 3,000✓	Sales	Shs. 6,200✓
Chuki	1,600✓		
Shared profit: Bora	800✓		
Chuki	800✓		
	<u>6,200</u>		<u>6,200</u>

20 Ticks @ 0.5 Mark, TOTAL 10 MARKS

4.

- I. Capital expenditure generates future economic benefits, but the Revenue expenditure generates benefit for the current year only.
- II. The major difference between the two is that, the Capital expenditure is a one time investment of money. On the contrary, revenue expenditure occurs frequently.
- III. Capital expenditure is shown in the Balance Sheet, in asset side, and in the Income Statement (depreciation), but Revenue Expenditure is shown only in the Income Statement.
- IV. Capital Expenditure is capitalized as opposed to Revenue Expenditure which is not capitalized.
- V. Capital Expenditure is a long term expenditure. Conversely, Revenue Expenditure is a short term expenditure.

Examples

Capital expenditure

- i. Buying of machines.
- ii. Bought a building.
- iii. Add an extra value to any assets.

Revenue expenditures

- i. Paying of salaries.
- ii. Paying of the office expenses.
- iii. Transport and communication charges.

TOTAL 10 MARKS

5. Calculation of depreciation for the first three years

1st year

$$10,000 \times 20\% = 2,000 \quad \textbf{(3 marks)}$$

2nd year

$$(10,000 - 2,000) \times 20\% = 1,600 \quad \textbf{(3 marks)}$$

3rd year

$$(10,000 - 2,000 - 1,600) \times 20\% = 1,280 \quad \textbf{(4 marks)}$$

TOTAL 10 MARKS

6. A) FIXED ASSETS (FA)

FA = Total Assets (A) – Current Assets (CA)

While

$$A = \text{Capital (C)} + \text{Liabilities (L)}$$

Capital – 75,000

Liabilities – 33,000*

*long term liabilities + current liabilities(CL)

$$*18,000 + 15,000 = 33,000$$

$$\text{So } A = 75,000 + 33,000$$

$$A = 108,000$$

$$FA = A - CA$$

$$\text{While } CA = ??$$

$$\text{Working capital(WC)} = CA - CL$$

$$14,000 = CA - 15,000$$

$$14,000 + 15,000 = CA$$

$$CA = 29,000$$

$$FA = A - CA$$

$$FA = 108,000 - 29,000$$

$$FA = 79,000$$

Fixed Assets is Tshs 79,000/=

B) Current Assets is Tshs 29,000/=

C) CAPITAL EMPLOYED (CE)

$$CE = A - CL$$

$$CE = 108,000 - 15,000$$

$$CE = 93,000$$

Capital Employed is Tshs 93,000/=

D) CURRENT RATIO

$$\text{Current Ratio} = CA/CL$$

$$\text{Current Ratio} = 29,000/15,000$$

$$= 29/15 \text{ or } 1.93$$

Current ratio is 29/15 or 1.93

E) Total Assets is Tshs 108,000/=

7. **INCOME STATEMENT FOR THE YEAR ENDED 31st DEC 2006**

			Shs "000"
Sales			22,400 ✓
Less: sales return/return inward			539 ✓
Less: Cost of Goods Sold			
Opening stock		3,961 ✓	
Add: purchases	14,500 ✓		
Add: carriage inward	470 ✓		
Less: Return inward	<u>462 ✓</u>	<u>14,508 ✓</u>	
		18,469 ✓	
Less: closing stock		<u>4,126 ✓</u>	
			<u>(14,343) ✓</u>
Gross profit			7,518 ✓
Add: Discount received			<u>330 ✓</u>
Total income			7,848 ✓
Less: Expenses			
*Wages & salaries (3165 + 54)	3,219 ✓		
Discount Allowed	354 ✓		
Advertising	313 ✓		
Bad debts	110 ✓		
General expenses	510 ✓		
*Rates (275 – 65)	210 ✓		
Depreciation of motor van	<u>220 ✓</u>		
Total expenses			<u>(4,936) ✓</u>
NET PROFIT/INCOME			<u>2,912</u>

STATEMENT FOR FINANCIAL POSITION OF THE YEAR ENDED 31st DEC 2006

ASSETS

			Shs "000"
<u>Fixed Assets</u>			
Premises		7,500 ✓	
Motor van	1,100 ✓		
Less: depreciation	<u>220 ✓</u>	<u>880 ✓</u>	
Total fixed Assets			8,380 ✓
<u>Current assets</u>			
Stock	4,126 ✓		
Debtors	2,535 ✓		
Cash at bank	330 ✓		
Cash in hand	80 ✓		
Rates in advance	<u>65 ✓</u>		
Total current assets		7,136 ✓	
Less: <u>Current liabilities</u>			
Creditors	2,250 ✓		
Wages due	<u>54 ✓</u>		
Total current liabilities		<u>(2,304) ✓</u>	
WORKING CAPITAL			<u>4,832 ✓</u>
			<u>13,212</u>

FINANCED BY:-

Capital	13,000✓
Add: net profit	<u>2,912✓</u>
	15,912✓
Less: Drawings	<u>2,700✓</u>
	<u><u>13,212</u></u>

40 (✓) TICKS @ 0.5 Marks TOTAL 20 MARKS

8. **STATEMENT OF AFFAIRS AT 1st Jan 2013**

Assets	“000”	Liabilities	“000”
Motor van	1,200✓	Trade creditors	960✓
Stock	2,100✓	Capital	4,620✓
Debtors	1,300✓		
Cash at bank	900✓		
Rates prepaid	80✓		
	<u>5,580</u>		<u>5,580</u>

STATEMENT OF AFFAIRS AT 31st Dec 2013

Assets	“000”	Liabilities	“000”
Motor van	1,000✓	Trade creditors	1,000✓
Stock	2,240✓	Capital	5,720✓
Debtors	1,040✓		
Cash at bank	2,344✓		
Rates prepaid	96✓		
	<u>6,720</u>		<u>6,720</u>

STATEMENT TO COMPILE PROFIT shs “000”

Closing Capital = Opening Capital + Addition Capital + Net Profit – Drawings* ✓

$$5,720 = 4,620 + 400 + \text{Net Profit} - 6,240* \quad \checkmark$$

$$5,720 = 5,020 + \text{Net Profit} - 6,240* \quad \checkmark$$

$$5,720 - 5,020 = \text{Net Profit} - 6,240*$$

$$700 + 6,240 = \text{Net Profit} \quad \checkmark$$

$$6,940 = \text{Net Profit}$$

Net Profit is Tshs 6,940/= ✓

*Drawings per week is 120,000 so per year will be multiply by 52 weeks in order to get the amount of drawings per year. ✓

Twenty (20) ticks @ 1 Mark total 20 MARKS

9.

Dr			MOTOR CAR ACCOUNT		Cr	
			Shs.			Shs.
1/1/2010	Cash		<u>2,500,000</u>	31/12/2010	Balance c/d	<u>2,500,000</u>
1/1/2011	Balance	b/d	2,500,000√	31/12/2011	balance c/d	5,500,000√
1/1/2011	Cash		3,000,000√			
			<u>5,500,000</u>			<u>5,500,000</u>
1/1/2012	Balance	b/d	5,500,000√	31/12/2012	balance c/d	6,500,000√
30/6/2012	Cash		1,000,000√			
			<u>6,500,000</u>			<u>6,500,000</u>
1/1/2013	Balance	b/d	6,500,000√	31/12/2013	balance c/d	6,500,000√
1/1/2014	Balance	b/d	6,500,000√	30/4/2014	Disposal	2,500,000√
				31/12/2014	balance c/d	4,000,000√
			<u>6,500,000</u>			<u>6,500,000</u>
1/1/2015	Balance	b/d	4,000,000√			

Dr			PROVISIO FOR DEPRECIATION FOR MOTOR CAR ACCOUNT		Cr	
			Shs.			Shs.
31/12/2010	Balance	c/d	<u>500,000√</u>	31/12/2010	profit & loss	<u>500,000√</u>
31/12/2011	Balance	c/d	1,600,000√	1/1/2011	Balance b/d	500,000√
			<u>1,600,000</u>	31/12/2011	profit & loss	1,100,000√
						<u>1,600,000</u>
31/12/2012	Balance	c/d	2,900,000√	1/1/2012	Balance b/d	1,600,000√
			<u>2,900,000</u>	31/12/2012	profit & loss	1,300,000√
						<u>2,900,000</u>
31/12/2013	Balance	c/d	4,200,000√	1/1/2013	Balance b/d	2,900,000√
			<u>4,200,000</u>	31/12/2013	profit & loss	1,300,000√
						<u>4,200,000</u>
30/4/2014	Disposal		2,000,000√	1/1/2014	Balance b/d	4,200,000√
31/12/2014	Balance	c/d	3,000,000√	31/12/2014	profit & loss	800,000√
			<u>5,000,000</u>			<u>5,000,000</u>
				1/1/2015	Balance b/d	5,000,000√

Dr	MOTOR CAR DISPOSAL ACCOUNT		Cr
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30/4/2014 Motor car	Shs. 2,500,000✓	30/4/2010 Prov. 4 depr.	Shs. 2,000,000✓
30/4/2014 Profit on disposal (P&L)	1,000,000✓	30/4/2011 cash received	1,500,000✓
	<u>5,500,000</u>		<u>5,500,000✓</u>

EXTRACTED STATEMENT OF FINANCIAL POSITION

2010: Motor car	2,500,000	
Less: provision for depreciation	<u>500,000</u>	2,000,000✓
2011: Motor car	5,500,000	
Less: provision for depreciation	<u>1,600,000</u>	3,900,000✓
2012: Motor car	6,500,000	
Less: provision for depreciation	<u>2,900,000</u>	3,600,000✓
2010: Motor car	6,500,000	
Less: provision for depreciation	<u>4,200,000</u>	2,300,000✓
2010: Motor car	4,000,000	
Less: provision for depreciation	<u>3,000,000</u>	1,000,000✓

40 (✓) TICKS @ 0.5 Marks TOTAL 20 MARKS