

24. THE LEDGER

The topic entails:

- Meaning and purpose of ledger
- Record information in relevant ledgers
- Explain the concept of double entry as the basis of making entries into the ledger.
- Discussing the rule of recording transactions in various ledger accounts.
- Discussing procedure of balancing ledger accounts and explain the uses of the various columns.
- Preparation of trial balance from the ledger account balance.
- Discuss purpose and limitations of a trial balance.
- Classify ledger accounts and discuss the various types.

1. Prepare Betty's trial balance from the following information

Items	ksh
Purchases	130,000
Capital	150,000
Sales	165,000
Debtors	45,000
Creditors	40,000
Motor vehicles	120,000
Stock	50,000
Cash at bank	10,000

2. Identify the situation in which the following types of ledgers are appropriate:

- i) Creditors ledger
- ii) Private ledgers
- iii) Normal ledger

3. The following balances were extracted from the books of Nyatike Traders Limited as at 31st January 2010

	Kshs.
Discount allowed	5,000
Buildings	250,000
Return outwards	6,000
Purchases	74,000
Creditors	20,000
Drawings	16,000
Capital	319,000

Required: Prepare Nyatike Traders Ltd trial balance as at that date

4. The following information relates to Kebirigo Traders as at 31st December, 2009

	Kshs.
Buildings	100,000
Debtors	54,000
Capital	136,000
Sales	85,000

Purchases	48,000
Stock 1 Jan.2009	25,400
Creditors	35,700
General expenses	31,800
Bank overdraft	2,500

Prepare a trial balance as at 31st December, 2009

5. The following trial balance was prepared by an incompetent book keeper thus failed to balance

Account	Dr.	Cr.
Fixed assets		250,000
Purchases		80,000
Sales	120,000	
Debtors	22,000	
Stock	60,000	
Creditors		45,000
Capital	247,000	
	<u>449,000</u>	<u>375,000</u>

6. Outline **four** errors in a trial balance although present it would still balance

7. Given below is a list of subsidiary ledgers:

General ledger
 Nominal ledger
 Purchases ledger
 Sales ledger
 Cash book

Indicate in which ledger the following accounts should be recorded

8. Record the following transactions in the relevant ledger accounts for the month of June, 2009

June 1: invested shs.100,000 cash in a retail business

June 2: Obtained a co-operative loan of Shs.20,000 cash

June 3: bought furniture Shs: 70,000, paying Shs.40,000 cheque and the balance in cash

	Account	Subsidiary ledger
a)	Return inwards	
b)	Discounts received	
c)	Drawings	
d)	Juma a supplier	
e)	Ombichi a distributor	
f)	Bank	

9. The following transaction took place in the business of Highlands Retail in the month of June 2008

1.6.2008-commenced business with Kshs. 120,000 in cash

4.6.2008-transferred kshs66, 000 from business till to the bank

13.6.2008-brought his private furniture worth kshs. 15,000 into the business for business use

28.6.2008-borrowed a loan in cash kshs.40, 000

Required: Post the transactions into the relevant ledger account

25. CASH BOOK

The topic entails:

- Explaining meaning of cash book and the types of transactions recorded in the cash book.
- Discussing the purpose of a cash book
- Types of cash book when used and format
- Explain the concept contra-entry.
- Preparation of the various types of cash books.

1. The following cash book relates to Baraka enterprises

Date	Details	Cash	Bank	Date	Details	Cash	Bank
2004				2004			
Jan 1	Bal. b/d	10,000		Jan 1	Bal b/d		15,000
Jan 10	Sales	18,500			Bank	12,000	
Jan 15	Cash		12,000	Jan 15	Jebet	6,000	
	Bal. c/d		3,000		Bal. c/d	10,500	
		28,500	15,000	Jan 20		28,500	15,000

2. State the transactions that took place on the above cashbook on the following dates

- Jan 1
- Jan 10
- Jan 15
- Jan 20

3. Identify **four** uses of the cash book.

4. The following transactions took place in the business of Kiprono during the first week of Jan. 2003

- Jan 1st** Balance brought down
Cash = Kshs12,000.00
Bank= Kshs.35,000
- Jan 2nd** Sold an old piece of furniture for Kshs.8,000 cash
- Jan 3rd** Cash sales Kshs.10,000 paid directly to the bank
- Jan 4th** Purchased goods worth Kshs.20,000 , paid Kshs.5,000 cash and the balance to be paid later
- Jan 5th** Kiprono took cash Kshs.1,500 for personal use
- Jan 6th** Bought goods worth Kshs.15,000 paying partly by cheque Kshs.10,000 and the balance in cash

Required: Prepare Kiprono's two column cash book for the month of January and balance it of

5. The following transactions relate to Kabelo Traders for the month of Dec. 2004.

- 2nd Dec cash sales shs.30,000

8th Dec. Banked shs.15,000

10th Dec. withdrew shs.10,000 from bank for office use

Prepare a cash book

6. Ondiko Traders had Kshs. 100000 cash in hand and Kshs.243000 cash at bank during the month of March 2008. The following transactions took place in that month:

March 3 – paid rent Kshs.5000 cash

March 11- cash sales Kshs.14000

March 14-purchased equipment worth Kshs. 37000 paying by cheque

March 20- Deposited shs. 30000 into bank from cash till

March 31- Took Kshs. 10000 cash for personal use

Prepare Ondiko traders' two- column cash book for March 2008

7. Record the following transactions in a double column cash book of JABER traders and balance it off as at 12th June 2009:-

June 1: Balances : Cash shs.5500

Bank shs.18000 (Cr)

June 3: Purchases shs.4500 was made being paid by cheque shs.4000, balance later

June 7: Sold goods for cash shs.6000

June 12: took shs.7000 to bank

June 13: Credit purchases from Ombogo shs.3000

June 14: paid Alweny shs.1000 cash

8. State the meaning of the following terms as used in a cash book:

a) Contra- entry

b) Folio column

9. The following information was obtained from Laban traders during the month of February 2010

Feb. 4: goods returned by Otange traders amounted to kshs. 4 000, credit note no.214

8: Akamba traders returned goods worth kshs. 15 000 and was issued with credit note no.316

15: received goods worth ksh.6,000 from punch line traders. Credit note 510

28: goods returned by Viva traders' kshs. 9 600. Credit note no. 440

Prepare the relevant journal for Laban traders

10. Omondi had the following transaction in the year ending 30th June 2008:-

Shs

Debtors as at 1st July 2007 113 000

Cash received from debtors in the year 651 500

Debtors as at 30th June 2008 138 500

Bad debts in the year 1 700

Discounts allowed in the year 2 600

Cash sales 800 000

Calculate the total sales for the year

11. Give **three** documents from which information entered in cash receipts and cash payments

Journals may be obtained

12. The following information was available for the year 2009:-

2009	Accrued rent	Prepaid rent
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Jan 1	Shs.20,000	Shs.40,000
Dec 31	Shs.36,000	Shs.3400

Rent expense paid in the course of the year amounted to shs.121,200.

Prepare the rent account and show the amount charged to profit and loss account

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.

Prepare the salaries account as at 31st Dec. 2003

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

17. -THE LEDGER

1. Mr. Omanda started a business in January 2000 with cash in hand 100,000. The following transactions took place during the year:-

January: Bought stock by cash Kshs.20,000

February: Sold goods on credit Kshs.30,000

March: Opened a bank account by banking cash Kshs.60,000

April: A debtor returned goods worth shs.5,000

May: Bought goods Kshs.70,000 on credit

June: The owner took cash Shs.10,000 to pay his children school fees

2. Record the following transactions in the relevant ledger accounts, balance the account and extract a trial balance

Date	Transaction
1/4/2007	Mary started business with shs.80,000 cash
2/4/2007	Bought stationery for shs.4,000 and paid in cash
3/4/2007	Opened a bank account and deposited shs.50,000 from the cash till
4/4/2007	Bought motor vehicle worth shs.250,000 from Lucy motors on credit
5/4/2007	Bought postage stamps for shs.60 in cash

3. The following information relates to Ndhiwa resort traders for the month of November 2009:-

- November,**
- 1.started a business with shs 160,000 cash
 2. Purchases shs.120,000
 3. Made sales in cash shs.126,000
 4. Paid for electricity shs.1000 in cash
 5. Received rent of shs.37,500 in cash
 6. Gave discount of shs,6,000 in cash

- Required :-**
- i) Post the above information in the relevant ledger accounts and balance them off
 - ii) Extract a trial balance

18. -CASH BOOK

1. On March 2007, Doris had cash in hand shs.87,000 and cash at bank shs.25,000. During this month, the following transactions took place:

March 2nd : Cash sales shs.60,000

3rd : Paid salaries shs.101,500 by cheque

7th : Received a cheque of shs.76,000 from Henry after allowing a cash discount of 5%

13th : Bought office furniture by cheque shs.86,000

17th : Settle marital account for shs.34,200 in cash having deducted shs.8,000 cash discount

20th : Received a cheque for shs.165,000 in respect for cash sales

22nd : Paid wages shs.25,000 in cash

24th : Withdrew shs.32,000 for bank for office use

25th : Withdrew shs.4,000 cash for personal use

29th : Received shs.17,000 cash form Alvin in settlement of his account less shs.1000 cash discount

31st : Deposited all the money into the bank except shs.24,600

Required: Prepare a three column cash book duly balanced

2. Enter the following transactions in the petty cash book of Makavale stores for the month of July 2009 using the following analysis columns: Telephone and postage; office stationery, traveling expenses and office expenses. The business operates the petty cash book on an imprest system of 4000/= replenished on weekly basis

July 1st – received a cheque from the cashier to start the imprest

1st – paid for taxi hire 250/= and 130/= for office cleaning

2nd – bought postage stamps for 210/= and a ball of string for use in the office 100/=

3rd – postage of a parcel cost 100/= and paid a telephone bill 900/=

4th – purchased envelopes for 150/= and one ream of photocopying paper 500/=

5th – paid for bus fare 500/= and made a telephone call costing 50/=

6th – purchased a window cleaning cream for 250/= and bus fare 200/=

8th – Received a cheque to replenish the imprest

8th – bought various office stationery for 400/=

9th – purchased postage stamps for 210/= and paid 950/ telephone bill

10th – paid train fare 600/= and taxi fare 250/=

11th – paid for office cleaning 150/=

12th – purchased two reams of writing paper 600/= and office dusters 300/=

14th – obtained a cheque from the cashier to replenish the imprest

Required:. Prepare the petty cash book for the two weeks

3. Mumji Enterprises maintain a petty cash book on an imprest system with weekly float of Kshs.40,000.

The following information relates to the week ended 7th June 2009:-

1st cash in hand was Ksh.7000

1st receives reimbursement from the chief cashier

1st paid wages Ksh.5500, bus fare Ksh.1250, Sugar sh.220 and stamps shs.150

2nd Bought stationery Ksh.5000

3rd Paid postage shs.200

4th Bought tea leaves shs.80 and shs.2000 for type writer repair

5th Bought coffee shs.340 and milk shs.800

7th Bought a ribbon for type writer shs.500, stencils shs.350 and bus fare shs.900

Required: - Prepare a petty cash book duly balanced on 7th June with the following columns.

Traveling, Wages, Stationary, Postage, tea and miscellaneous

4. The following transactions relate to Furaha traders for the month of July,2008

July 1 : Balance brought down cash sh.16,250 and Bank Shs.19,847

July2 : Sold goods worth Shs.1,348 to Patel and received a calculator in exchange

July 5 : Paid transport by cheque Shs.2,000

July 6 : Issued a cheque to Kerio Traders setting an invoice for Shs.10,000 deducting 2% cash discount

July 10: Transfer Shs.15 000 from cash till to bank

July 12: Sold goods for cash Shs.12,000 less 2% cash discount

July 13: Sold goods to Onyango on credit worth Shs.15, 000

July 14: The owner of the business withdrew Shs.3000 in cash to buy a present for his daughter

July 16 : Received a cheque from Kuria Shs.2,500 less 5 % cash discount

July 22 : Bought furniture from Babu Traders on credit worth Shs.16,500 and cash discount of 10% if payment is made within 2 weeks

July 24: Withdrew cash from bank for office use Shs8,000

July 26: The owner brought into the business Shs.9,000 cash

July 27: Issued a cheque to Babu Traders for amount due

July 28: Sold goods to Kuria worth Shs.5,000 for Shs.3,800 and received payment by cheque

July 30: Banked all cash and remained with Shs.100 in the cash till

Required; Prepare Furaha Traders three column cash book for the month of July, 2008

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. A petty cashier of Mugirango traders operates his petty cash book on an imprest system of sh. 2500. On 1 February 2009, he had cash in hand of Sh. 500 and was reimbursed the difference by the main cashier to restore his cash float. The following transactions took place during the same month of February 2009:

Feb 2nd paid taxi fare sh.150 and wages sh250
4th Bought five reams of paper for sh25 each and stamps for sh.30
7th Paid wages sh.250 and bought envelopes for sh.40
20th Bought tea for staff sh.70 and paid for water bills sh.56
28th Paid for electricity sh.80 and stamps sh.40

Required: Prepare a petty cash book using the following analysis columns;

- Wages
- Traveling
- Stationery
- Postage
- Miscellaneous

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