BUSINESS TRANSACTIONS

MARKING SCHEME

1. 2002 P1

Description	Term
▪ Money bought into business by owner	Capital
▪ Goods bought for resale	Stock
▪ Money withdrawn by the owner for private use	Drawings
▪ Money borrowed by the owner of the business	Loan

2. 2003 P1

- Increase
- Decrease
- No effect

3. 2004 P1

Transaction	Increase	Decrease	No effect
▪ Buying stock in cash			x
▪ Depositing extra cash into business a/c	x		
▪ Drawing cash for private use			x
▪ Buying stock on credit			x

4. 2006 Q16 P1

(a) Increase
(b)Decrease
(c)Not effect
(d)Decrease

5. 2008 Q18 P1

Calculation of capital

Capital = Assets – liabilities
Assets = 200000 + 100000 + 400000 + 160000 + 10000
= <u>Shs 870000</u>
Liabilities = 10000 + 40000
= <u>140000</u>
Capital = Shs870000 – 140000
= Shs<u>730000</u> ***(8 x ½ = 4 marks)***

6. 2010 Q13 P1

Difference between cash and credit transactions

- In a cash transaction both money and goods exchange hands between the buyer and seller immediately while in a credit transaction, the transfer of goods come first and payment later.
- Cash transaction requires a cash sale receipt and a credit transaction required an invoice.