

CASH BOOK

MARKING SCHEME

1. **1995 P1**
 - Contra entry – a transaction that affects both the cash account and the bank account
 -Folio column – Reference page on the relevant account

2. **1998 P1**
 - Separate it with other accounts
 - Quick determination of work flow
 - Combine cash and bank accounts
 - Easy reference and double entry transactions

3. **1999 P1**
- | | |
|----------|----------|
| Increase | Decrease |
| Dr | Cr |
| Cr | Dr |
| Cr | Dr |
| Dr | Cr |

4. **2007 Q6 P2**

Mugambi traders
Balance sheet
As at 31st December 2005

	Shs		Shs	Shs
Fixed assets		Capital	940,000	
Land and building	500,000	Less Drawings	40,000	900,000
Land and Machinery	200,000	10 year bank loan	200,000	
Motor Vehicle	300,000	3 years ICDC loan	100,000	300,000
Current assets stock	100,000	Current liabilities		
Debtors	60,000	Creditors	60,000	
Cash at Bank	100,000	Accrued Expenses	20,000	80,000
Cash in Hand	20,000			
	1,280,000		1,280,000	1,280,000

- ii) a) working Capital –CA-Cl =(280, 000-80,000)=200,000
 Capital (1,280,000-80,000)=1,200,000
 Employed (total equity and liabilities less current liabilities or total fixed assets plus working capital)
- CE=FA+WC=1,000,000+200,000
 Alternative CE= Capital borrowed=long term liabilities
 = 900,000+ 300,000=1,200,000
- i. Borrowed capital = 10 years loan 200,000+3 year ICDC Loan 100,000=300,000
 Alternative Borrowed capital=long term liabilities
 (200,000 -100,000)=300,000

5. **2008 Q6 P1**

- (a) **Contra entry**:- This is a transaction affecting both sides of a two/three column cash book simultaneously. It is indicated by letter 'C'.
- (b) **Cash discount**:- This is a reduction/allowance given to a buyer by the setter for making prompt payment. **(4 marks)**

6. 2012 Q18 P1

Highlife general stores
Balance sheet
as at 31st December 2008

	shs	shs		shs	shs
fixed assets			capital		870,000
land and building	650,000		long term liabilities		
motor van	<u>150,000</u>	800,000	10 year bank loan		500,000
current assets			current liabilities		
stock	470,000		creditors	200,000	
debtors	350,000		bank overdraft	80,000	<u>300,000</u>
cash	<u>50,000</u>	<u>870,000</u>			<u>1,670,000</u>
		<u>1,670,000</u>			

(10 x ½ = 5 marks)

