**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 **fou**r 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

Discount allowed 3,400

Debtors balance 31-12-07 25,300

**26. SOURCE DOCUMENTS AND BOOKS OF ORIGINAL ENTRY**

1. Journalize the following transactions which took place in the business of W. Wanjala during

 the month of June 2009:-

**June 1** Balance B/f from May 2009 were:-

 Office furniture shs.50,000 and motor vehicle shs.100,000

**June 2** Purchased office furniture on credit for shs.65,000 from Mwema furniture

**June 10** Sold an old vehicle on credit to Omwami garage for shs.200,000

**June 25.** Discovered that a motor vehicle that had been bought on credit from Kanyere motor for Kshs.750,000, had been recorded in purchases account

**June 28** Sold an old computer to classic academy on credit for ksh. 15,000

**June 29** : Sold an old tractor whose book value is Kshs. 200,000 for Khs.250,000

 to Goseta

2. Mr. Osodo, a sole trader in Mumias town does not keep complete set of accounting

 books. However, the following information was obtained from his general operation book for

 the year ending 31/12/209

 Shs.

 Debtors balance on 1/1/2009 24000

 Bad debts 2000

 Creditors balance 1/1/2009 68000

 Debtors balance on 31/12/2009 72000

 Discount allowed 18000

 Creditors balance on 31/12/2009 83600

 Returns inwards 5600

 Cash paid to creditors 590000

 Returns outwards 10200

 Cash received from debtors 298000

 Discount disallowed 1000

 Dishonored cheques 36000

 Discount received 6000

 **Additional information**

He also disclosed that he had paid cash purchases amounting to Shs.483400 and received cash sales of Shs.70000 for the year

 ***Required;*** i) Prepare total debtors account and total creditors account

 ii) Calculate total purchases and total sales for the year

3**.** On 1st June 2009, **Nyamira Traders** had cash in hand shs.87,000 and cash at bank Shs.250,000.

 During the month, the following transactions took place:-

**2009 June 2**:-Cash sales shs.50,000 issued Receipt No.063

 **3:**- Paid salaries and wages shs.101,500 by cheque ; cheque no. 083

 **6:-** Received a cheque for shs.76,800 from Kemunto, after allowing her a cash discount

 of 4% issued a receipt No. 064

 **12:-** Settled Omwabo’s account of shs.40,000 in cash, having deducted shs.800 cash

 discount. Received recipt no. 0656

 **18:-** Withdrew shs.30,000 from bank for office use

 **21:**- Received shs.16,500 cash from Manwari in settlement of his account less shs.660

 cash discount. Receipt No. 065

 **22**: - Bought office furniture by cheque shs.85,000. Receipt No. 734

 **23**:- Paid wages Shs.24,000 in cash receipt No. 801

 **28:**- Withdrew shs.5000 cash for private use

 **30:**- Received a cheque for shs.150,000 in respect of cash sales . Receipt No. 066

***Required: Prepare***:- (i) A cash receipts journal

(ii) A cash payment journal

4. The following is a trial balance of JAO traders as at 31/12/2009

 **Dr Cr**

 **(Shs) (Shs)**

Capital 170000

Opening stock 60000

Equipment at cost 125000

Purchases 161000

Sales 208000

Discounts 2000 8000

Returns 27000 25000

Salaries 20000

Telephone charges 5000

Water bills 2100

Creditors 15100

Debtors 21000

 Electricity expenses 2000

 Insurance paid 1000

 426000 426000

 **Additional information**

1. Closing stock was valued at Shs.72000
2. Telephone charges prepaid was Shs.1000 and outstanding water bills was Shs.1300
3. Depreciation on equipment is 10% p.a on cost
4. Carriage inwards was Shs.11000 and carriage outwards Shs.10000

 ***Prepare trading and profit loss account for the year ending 31/12/2009***

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. The following extracted from the books of Mogusii Ltd. 2005

**March 1.** Credit purchases from Obwocha Sit 1200

Agwata sh. 3,000 and Nyauamba sh.2,500

**March 5** Credit sales to Okero Sit 2,000, Michieka sh.4,300 and Omwenga sh. 1500

**March 10** Credit purchases from Onyancha Sh.2700

 Obwocha sh 6600 and Ombaki sh.3300

**“ 20** Returned goods to Obwocha sh.250 and Onyancha 703

 **26** Credit sales to Bundi sh.850. Tendu sh.630 and Okero-sh.900

**“ 30** GoodswereretumedbyBundish.I50andMichiekasitl30

 ***Required: Enter the above transactions in their relevant day books***