



Deepen

An entrepreneur should entrust record keeping to a knowledgeable person. We will read the case below to understand the importance of record keeping then after reading, answer the questions after the situation below.

JOHN ENTERPRISES

John operated a small scale business which dealt in selling fruits of all varieties, such as pineapples, oranges, passion fruit, bananas, watermelons, grapes and many others. He received his supplies directly from the farmers. To ensure good operation of the business he tried very hard to keep good records. He maintained a supplies book where he recorded all the supplies from each supplier. In the supplier book he recorded the quantities supplied and the amount of money the supplies were worth. He also maintained a cash book where he recorded the cash sales. He also recorded any credit given to his customers on small pieces of paper. He also recorded all the business expenses in a hard cover book.

John was very happy with the record keeping but one day the pieces of paper on which he recorded the creditors disappeared and subsequently, he was not able to tell how much he was owed by his creditors. John found it difficult to reconstruct the credit from his memory.

In 2008, the Kenya Revenue Authority staff visited John's business and demanded to see John's records. John was surprised to hear that he was required to maintain records for inspection by the Kenya Revenue Authority staff. The KRA staff gave him one month to prepare the records. John did not know where to begin.

1. How effective in your opinion was John at record keeping?

2. Identify the records that John should maintain to meet the requirements of the KRA.

ANSWER

1. How effective in your opinion was John at record keeping?

Answer: It was a great and effective idea because he records most of the important things that needed in his business for example supplies books, suppliers' books, cash books, and also the expenses that he records in a hard copy book. I can say that it is very important because when the authority visits your business you are ready to show or present all your records to them. But this one is an exception. John's ineffective result was when he lost the records of the creditors. He found it difficult to reconstruct the credit from his memory. He could have secured a credit book like those others and not just on pieces of paper that are prone to be misplaced.

2. Identify the records that John should maintain to meet the requirements of the KRA.

Answer: John must continue to record accurately in these books: supplies books, suppliers' book, cash book, and also the expenses record book. In order to meet the requirements of the KRA, he needs to keep a permanent credit book rather than pieces of paper to avoid losing or misplacing the records. To solve the problem that he is facing, he must try to communicate all his creditors and ask them with their credit. Or he will try to take an extra effort to find those pieces and transfer them in a book.