

Name _____

Index No. _____

1903/106

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1906/106

FINANCIAL ACCOUNTING

November 2013

Time: 3 hours

Date _____



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THE KENYA NATIONAL EXAMINATIONS COUNCIL

CRAFT CERTIFICATE IN SUPPLY CHAIN MANAGEMENT
CRAFT CERTIFICATE IN BUSINESS MANAGEMENT
MODULE I

FINANCIAL ACCOUNTING

3 hours

INSTRUCTIONS TO CANDIDATES

Write your name and index number in the spaces provided above.

Sign and write the date of the examination in the spaces provided above.

This paper consists of TWENTY SIX questions in TWO Sections; A and B.

Answer ALL the questions in Section A in the spaces provided after each question.

Answer any FOUR questions from Section B in the spaces provided in this question paper.

Show all your workings.

All questions carry equal marks.

Do NOT remove any pages from this booklet.

Candidates should answer the questions in English.

For Examiner's Use Only

Section	Question	Maximum Score	Candidate's Score
A	1 - 20	40	
B		15	
		15	
		15	
		15	
Total Score			

This paper consists of 28 printed pages.

Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.

SECTION A: (40 marks)

Answer ALL the questions in this Section in the spaces provided after each question.

1. State whether each of the following items are either assets or liabilities: (3 marks)

- (i) buildings; _____
- (ii) inventory; _____
- (iii) bank loan. _____

2. A cheque received from Fatuma was debited in Fatuma's account and credited in the cash book. State the type of error made. (2 marks)

3. Complete the table below. (3 marks)

	Capital Ksh	Assets Ksh	Liabilities Ksh
(i)	400,000	?	180,000
(ii)	?	710,000	290,000
(iii)	201,000	320,000	?

4. List two types of ledgers. (2 marks)

- (i) _____
- (ii) _____

5. Define the term, cash discount. (1 mark)

6. A proprietor withdrew money from the business bank account for personal use. State the account to: (2 marks)

- (i) debit; _____
- (ii) credit. _____

7. Highlight **two** contents of a cash receipt. (2 marks)

8. State **two** books of original entry. (2 marks)

9. An unpaid amount of Ksh 600 relating to electricity was added to the amount of electricity paid during the year. State the accounting concept applied. (1 mark)

10. The following expenditures were made by a firm during the year:

	Ksh
Premises repairs	42,000
Purchase of furniture	15,000
Purchase of goods	280,000

Determine the: (3 marks)

(i) capital expenditure;

(ii) revenue expenditure.

11. State the purpose of a petty cash book. (1 mark)

12. State **two** items that may cause a difference between the cash book balance and the bank statement balance. (2 marks)

13. Indicate, by a tick, the control account in which the following items are found. (3 marks)

	Item	Sales Ledger Control	Purchase Ledger Control
(i)	Credit sales		
(ii)	Returns outwards		
(iii)	Discounts received		

14. On 1 January, 2012, the capital of Jani Traders was Ksh 120,000. On 31 December, 2012, the capital was Ksh 87,000. Advise the proprietor on the items that may have caused the change in capital. (2 marks)

15. An amount of Ksh 11,000 from the cash till of a firm was deposited into the bank account on 4 April, 2013. Prepare ledger accounts to record the transaction. (2 marks)

16. Mali Traders has two branches, A and B. The following information relates to the branches:

Branch	A	B
	Ksh	Ksh
Sales	520,000	600,000
Cost of Sales	307,000	589,000

The proprietor intends to close one of the branches.

- (i) Determine the gross profit for each branch.
- (ii) Advise the proprietor on the branch to close. (3 marks)

17. Mwala Club had a bank balance of Ksh 102,500 on 1 March, 2012. During the year Ksh 522,000 was received and Ksh 497,500 was paid out. Determine the bank balance to be shown in the balance sheet of the club, as at 28 February, 2013. (1 mark)

18. The following are the balances of revenue and expenses of a firm as at 31 December, 2012. Indicate whether each of the items are either an asset or a liability. (2 marks)

- (i) prepaid rent; _____
- (ii) stock of stationery. _____

19. On 1 January, 2011, Rama Ltd bought a motor vehicle for Ksh 1,200,000. The vehicle was depreciated at 20% per annum, using reducing balance method. Calculate the vehicle's book value as at 31 December, 2012. (2 marks)

20. The petty cashier of Lita Enterprises is usually given Ksh 9,500 as cash float at the beginning of every week. During the week ended 15 March, 2013, the petty cashier made payments amounting to Ksh 7,750. Determine the amount to reimburse the petty cashier. (1 mark)

SECTION B: (60 marks)

Answer any FOUR questions from this Section in the spaces provided after each question.

21. (a) On 1 March, 2013, Bara Traders had Ksh 27,500 cash in hand and Ksh 160,000 cash at bank. The following transactions took place during the month:

2013

March 2 Cash sales Ksh 18,000;

March 9 Paid B Zaka a cheque of Ksh 19,000 after deducting a discount of Ksh 1,000;

March 12 Paid insurance by cheque Ksh 7,500;

March 15 Received a cheque of Ksh 40,500 from K Tembo after deducting Ksh 4,500 cash discount;

March 22 Bought stationery in cash Ksh 900;

March 25 Received a cheque of Ksh 34,200 from Polo Retailers after deducting Ksh 1,800 cash discount;

March 31 Proprietor withdrew Ksh 3,400 in cash from the firm and used it to pay his house rent.

Prepare a three column cash book for the month of March, 2013.

(8 marks)

(b) Amola Ltd had the following balances as at 31 December, 2011.

	Ksh
Equipment	3,500,000
Provision for depreciation on equipment	1,700,000

On 1 January, 2012, equipment E33 was purchased for Ksh 320,000;
On 30 June, 2012, equipment E44 was purchased for Ksh 560,000;
On 1 October, 2012, equipment E22, which had been purchased on 1 January, 2009
at a cost of Ksh 750,000, was sold for Ksh 250,000.

The firm depreciates equipment at 20% per annum on straight line basis. A full year's depreciation charge is made in the year of purchase and no depreciation charge in the year of disposal. For the year ended 31 December, 2012, prepare:

- (i) equipment account;
- (ii) a provision for depreciation on equipment account;
- (iii) equipment disposal account. (7 marks)

22. (a) The following balances relate to Tala Traders.

	1 January, 2013	21 January, 2013
	Ksh	Ksh
Rent accrued	6,000	2,000
Insurance prepaid	12,000	4,500
Commission receivable outstanding	1,400	2,700

Additional information:

	Ksh
Rent paid	38,000
Insurance paid	23,500
Commission received	7,900

Prepare:

- (i) rent account;
- (ii) insurance account;
- (iii) commission receivable account.

(6 marks)

(b) The following information was obtained from Kera Traders as at 31 December:

	2011	2012
	Ksh	Ksh
Motor vehicles	420,000	590,000
Furniture	132,500	122,000
Inventory	62,800	91,700
Bank	27,500	14,500
Creditors	190,000	300,000
Debtors	147,200	212,800

Drawings by the proprietor during the year ended 31 December, 2012 amounted to Ksh 150,000. Prepare:

- (i) statement of affairs as at 31 December, 2011;
- (ii) statement of affairs as at 31 December, 2012, showing the profit for the year.
(9 marks)

23. (a) The following are the journal entries of Chake Traders for the month of January, 2013.

Sales Journal

Date 2013	Particulars	Amount Ksh
January 1	C. Mali	15,500
January 10	B. Linda	22,400
January 28	T. Pete	9,700
		<u>47,600</u>

Purchases Journal

Date 2013	Particulars	Amount Ksh
January 4	S. Kale	11,000
January 30	K. Soba	5,400
		<u>16,400</u>

Returns Inwards Journal

Date 2013	Particulars	Amount Ksh
January 15	B. Linda	200
January 31	T. Pete	500
		<u>700</u>

Returns Outwards Journal

Date 2013	Particulars	Amount Ksh
January 12	S. Kale	1,000
		<u>1,000</u>

Post the above entries and totals to the relevant ledger accounts.

(6 marks)

- (b) The following is a receipts and payments account for Niraha Social Club for the year ended December, 2012.

	Ksh		Ksh
Balance b/f	492,000	Printing and stationery	22,700
Subscriptions	110,000	Bar purchases	128,400
Bar sales	205,200	Sports equipment	250,000
		Repairs and maintenance	149,200
		Salaries	140,000
		Insurance	34,000
		Balance c/d	<u>82,900</u>
	<u>807,200</u>		<u>807,200</u>

Additional information:

- On 31 December, 2012
 - subscriptions of Ksh 15,000 were prepaid while subscriptions of Ksh 26,000 were outstanding;
 - bar stock was valued at Ksh 32,500;
 - insurance was prepaid by Ksh 4,000.
- The sports equipment are to be depreciated at 10% per annum.

(i) Prepare:

- I bar trading account;
- II income and expenditure account.

(ii) Advise the management on the measures to take on performance of the club according to the result shown in II above. (9 marks)

- (b) The following balances were extracted from the books of Sada Wholesalers as at 31 March, 2013.

	Ksh
Gross profit	289,000
Capital	1,200,000
Salaries and wages	96,500
Furniture	145,000
Debtors	215,000
Creditors	192,800
Rent	51,500
Drawings	136,000
Electricity	21,000
Premises	950,000
Cash	1,800
Bank overdraft	14,200

Additional information:

On 31 March, 2013:

- inventory was valued at Ksh 79,200;
- accrued electricity was Ksh 2,000.

(i) Prepare:

I profit and loss account for the year ended 31 March, 2012;

II a balance sheet as at 31 March, 2013.

(ii) Advise the proprietor on the measure to take regarding the capital.

(9 marks)

- (b) Sofi started business on 1 January, 2013 with Ksh 240,000 in the bank. The following transactions took place during the month of January, 2013:

2013

- January 1 Paid rent by cheque Ksh 36,000;
January 5 Purchased goods worth Ksh 100,000 and paid by cheque;
January 20 Sold goods for Ksh 27,600 and received a cheque;
January 31 Sold goods on credit to Naza Ltd for Ksh 78,000.

Prepare:

- (i) ledger accounts to record the above transactions;
(ii) a trial balance as at 31 January, 2013. (9 marks)
