

Slot 1 cps

Name: _____ Index No: _____

1903/106

Candidate's Signature: _____

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FINANCIAL ACCOUNTING

Date: _____

July 2015

Time: 3 hours



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 examination in the spaces provided above.

*This paper consists of **TWO** sections; **A** and **B**.*

*Answer **ALL** the questions in section **A** in the spaces provided in this question paper.*

*Answer any **FOUR** questions from section **B** in the spaces provided after each question.*

Marks for each question are as indicated.

*Do **NOT** remove any pages from this question paper.*

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		100	

This paper consists of 21 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 questions in this section in the spaces provided.

1. Highlight the purpose of a returns outwards journal. (2 marks)

2. Complete the gaps in the table below:

	Assets	Liabilities	Capital
	Ksh.	Ksh.	Ksh.
(i)	20,000	8,000	-
(ii)	-	2,000	32,000
(iii)	55,000	-	52,000

(3 marks)

3. State two errors that may not affect the agreement of a trial balance. (2 marks)



4. Highlight the use of a credit note. (1 mark)

5. Mwema paid Ksh. 14,250 for goods purchased, after receiving a cash discount of 5%. Calculate the list price of the goods. (2 marks)

6. The following information was extracted from the records of Tabu Traders for the month of August 2014.

	Ksh.
Gross profit	180,000
Wages	64,000
Rent receivable	35,000

Determine the net profit for the month. (2 marks)

7. A computer has a cost of Ksh. 160,000 and an estimated useful life of six years. The computer is depreciated on reducing balance method at the rate of 10% per annum.

- (i) Calculate the value of the computer at the end of the first two years;
- (ii) The market price of the computer at the end of the second year is Ksh. 70,000.

Identify **one** possible cause of the difference between the book value and the market value. (3 marks)



8. The following information has been provided by the payroll department of Bango Enterprises for the year 2013:

		Ksh.
Wages owing:	1 January 2013	24,000
	31 December 2013	27,000
Wages paid during the year		158,000

Calculate the wage expense for the year 2013.

(2 marks)

9. The following information has been provided by Viva Traders for the month of June 2014:

		Ksh.
Creditors:	1 June 2014	25,000
	30 June 2014	30,000
Payments to creditors		192,000

Calculate the credit purchases for the month.

(2 marks)

10. Highlight the use of a cashbook.

(1 mark)

11. Highlight the meaning of the term 'prudence concept'.

(2 marks)



12. State the account to be debited and the account to be credited in each of the following transactions:

Transaction	Debit	Credit
(i) Purchase of furniture by cheque		
(ii) Payment of rent in cash		

(2 marks)

13. Highlight the meaning of 'subscriptions' in a non-profit making organization.

(2 marks)

14. Determine the value of opening inventory from the following information:

	Ksh.
Cost of sales	280,000
Closing inventory	55,000
Purchases	240,000

(2 marks)

15. State the difference between capital expenditure and revenue expenditure.

(2 marks)



SECTION B (60 marks)

Answer any **FOUR** questions from this section in the spaces provided.

21. (a) Explain the information needs of each of the following users of accounting information:

- (i) Creditors;
- (ii) Owners;
- (iii) Government.

(6 marks)

- (b) The following information relates to Viwanda Enterprises for the month of March 2014. Balances as at 1 March 2014:

	Ksh.
Cash	48,000
Bank	122,000
Accounts payable:	
- Mugo	14,500
- Cheloti	27,200
Accounts receivable:	
- Mokaya	16,000
- Lagat	34,700

Transactions during the month:

- 2014,
 March 2 Paid office expenses for Ksh. 6,105 in cash
 3 Cash sales amounted to Ksh. 179,000
 7 Mokaya settled his account by cheque
 11 Paid Mugo the amount due in cash
 18 Paid rent of Ksh. 48,000 by cheque
 20 Paid Cheloti the amount due, less 3% cash discount, by cheque
 22 Purchased furniture for Ksh. 8,800 and paid in cash.
 25 Lagat settled his account in cash, less 5% cash discount
 27 Wages amounting to Ksh. 75,400 was paid by cheque
 31 Cash purchases amounted to Ksh. 52,000

Prepare a three-column cash book for the month.

(9 marks)

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Turn over

(b) The following are the cash book and bank statement of Genesis Retailers for the month of February 2014:

2014			2014		
		Ksh.			Ksh.
February 1	Balance b/f	172,000	Feb 7	Kiboro	70,000
4	Rudisha	32,000	15	Wasike	31,000
16	Kobia	45,000	27	Jeruto	35,000
20	Chiku	64,000	28	Bal. c/f	207,000
28	Moraa	30,000			
		<u>343,000</u>			<u>343,000</u>

		DR	CR	Balance
		Ksh.	Ksh.	Ksh.
February 1	Bal. b/f			172,000
7	Cheque		32,000	204,000
11	Kiboro	70,000		134,000
18	Cheque		45,000	179,000
18	Wasike	31,000		148,000
24	Cheque		64,000	212,000
27	Direct deposit		13,000	225,000
28	Ledger fees	2,000		223,000

Prepare:

- (i) an updated cashbook;
- (ii) bank reconciliation statement as at 28 February 2014.

(9 marks)



23. (a) Classify each of the following expenditure as either, revenue or capital:

- (i) Legal cost of buying land;
- (ii) Carriage inwards on plant purchased;
- (iii) Carriage inwards on purchases;
- (iv) Purchase of plant;
- (v) Repairs to plant;
- (vi) Electricity bills;
- (vii) Painting of buildings every year;
- (viii) Purchase of a carpet;
- (ix) Drilling of a bore hole;
- (x) Carpet cleaning expenses;
- (xi) Purchase of furniture;
- (xii) Installation costs of a plant.

(6 marks)



24. (a) Feroda Enterprises purchased a machine for Ksh. 100,000 on 1 January 2011. The machine had an estimated useful life of 5 years. The machine is depreciated using straight line method.
For the years ended 31 December 2011, 2012 and 2013, prepare a provision for depreciation on machinery account. (6 marks)



(b) On 1 July 2014, Upendo started a business with Ksh. 3,000,000 which he deposited in a business bank account. The following transactions took place during the month of July 2014:

- July 2 Purchased a motor van for Ksh. 1,500,000, paying by cheque
- 5 Withdrew Ksh. 220,000 from the bank for business use
- 8 Paid rent of Ksh. 24,000 by cheque
- 10 Bought goods on credit from Sarah for Ksh. 72,000
- 12 Cash purchases amounted to Ksh. 40,000
- 25 Paid wages totalling Ksh. 64,000 in cash
- 31 Settled Sarah's account in cash
- 31 Withdrew Ksh. 12,000 from the bank for personal use

Prepare ledger accounts to record the transactions above. (9 marks)



25. (a) Explain the use of each of the following books of account:

- (i) sales journal;
- (ii) purchases journal;
- (iii) returns inwards journal;
- (iv) general journal.

(8 marks)

(b) The following information relates to some of the business activities of a firm in the year 2013:

	Ksh.
• Cash sales	4,395,000
• Receipts from debtors	750,000
• Debtors as at 1 January and 31 December 2013 amounted to Ksh. 54,000 and Ksh. 45,000, respectively	
• Discounts allowed totalled Ksh. 15,000	

- (i) Determine the credit sales for the year;
- (ii) Determine the total sales for the year.

(7 marks)



26. (a) The following information was obtained from the books of account of Mwangaza Enterprises for the month of December 2013:

	Ksh.
1 December 2013 - sales ledger balance	512,000 DR
Transactions during the month:	
Cash received from debtors	130,000
Cheques received from debtors	312,500
Credit sales	461,800
Discounts allowed	24,500
Returns inwards	15,000
Dishonoured cheques	22,000

Prepare a sales ledger control account. (8 marks)

- (b) The following balances were obtained from the accounting records of Mesoti Traders as at 31 December 2013:

	Ksh.
Capital	2,200,000
Debtors	390,000
Creditors	430,000
Cash at bank	220,000
Inventory	150,000
Motor vehicles	1,870,000

- (i) Prepare a statement of financial position as at 31 December 2013.
- (ii) If the capital as at 1 January 2013 was Ksh. 2,600,000, identify a possible cause of the change in capital.

(7 marks)

