

1903/106

1906/106

FINANCIAL ACCOUNTING

November 2017

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

This paper consists of TWO sections; A and B.

Answer ALL questions in section A and any FOUR questions from section B in the answer booklet provided.

Candidates should answer the questions in English.

This paper consists of 6 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)

Attempt ALL the questions in this section.

1. Determine the capital from the following information:

	Ksh
Assets	410,000
Liabilities	160,000

(2 marks)

2. State **two** errors that do not affect the agreement of a trial balance. (2 marks)
3. State the use of a sales day book. (2 marks)
4. Prepare a trial balance from the following information of a firm:

	Ksh
Drawings	5,000
Sales	400,000
Purchases	365,000
Cash in hand	30,000

(3 marks)

5. State the use of a debit note. (1 mark)
6. On 1 May 2017, the cash book of Masudi Enterprises had a balance of Ksh 20,000 in cash. During the month, they received Ksh 2,000 in cash and paid Ksh 18,500 in cash.

Present the information above in a cash book. (2 marks)

7. Highlight the use of a purchases ledger control account. (2 marks)
8. Outline the meaning of money measurement concept as used in accounting. (2 marks)
9. On 1 June 2017, a petty cashier was given Ksh 15,000 as cash float. During the month, he spent Ksh 12,700. Calculate the amount which the petty cashier was to be reimbursed. (3 marks)
10. Define the term, 'uncredited cheques' as used in bank reconciliation. (1 mark)
11. Classify the following expenditures as either capital or revenue:

(i) Purchase of goods for sale.

(ii) Purchase of furniture.

(2 marks)

12. Outline the meaning of the term, 'prepaid expense'. (2 marks)
13. Jambo Traders bought an equipment for Ksh 400,000 on 1 January 2016. Depreciation is provided for at the rate of 12.5% per annum on reducing balance. Calculate depreciation for the year 2016. (2 marks)
14. Karura Social Welfare has assets valued at Ksh 180,000 while liabilities are Ksh 65,000. Determine the accumulated fund. (2 marks)

15. The following information relates to Natha Traders:

	Ksh
Opening inventory	40,000
Purchases	182,000
Carriage inwards	1,300

Determine the cost of sales. (2 marks)

16. Define the term, 'capital' as used in accounting. (2 marks)
17. State the account to be debited and the account to be credited when goods are purchased in cash. (2 marks)
18. Define the term, 'accumulated fund' as used in the books of non-profit making organizations. (2 marks)
19. The information given below relates to Zembi Enterprises.

	Ksh
Sales	800,000
Closing inventory	20,000
Purchases	532,000

Determine the gross profit. (2 marks)

20. On 1 May 2016, the capital of Tommy Enterprises was Ksh 1,800,000 while capital as at 30 April 2017 was Ksh 1,960,000. Determine the net profit for the year ended 30 April 2017. (2 marks)

SECTION B (60 marks)

Answer any **FOUR** questions from this section.

21. (a) Explain **three** uses of source documents in accounting. (6 marks)

(b) The following information relates to Shujaa Traders for the month of August 2017:

- August 1 Started business with Ksh 105,000 in cash.
 4 Purchased goods for Ksh 36,000 in cash.
 8 Opened a business bank account and deposited Ksh 60,000 from the business.
 16 Cash sales amounted to Ksh 12,000.
 27 Paid wages for Ksh 18,000 in cash.
 31 The proprietor brought a computer valued at Ksh 55,000 from home for business use.

- (i) Prepare the relevant ledger accounts.
 (ii) Balance off the ledger accounts. (9 marks)

22. (a) The following information relates to rent payable by Meja Enterprises for the year 2017:

	Ksh
Outstanding balance as at 1 January 2017	20,000
Paid during the year	180,000
Prepaid as at 31 December 2017	30,000

Prepare the rent account for the year ended 31 December, 2017. (6 marks)

(b) The following transactions relate to Salama Traders during the month of September 2017:

- September 1 Made credit sales to Saraha for Ksh 52,500.
 5 Saraha returned goods worth Ksh 4,500.
 9 Made credit sales to Martin for Ksh 27,000
 16 Martin returned goods worth Ksh 2,500.
 28 Made credit sales to Blizar for Ksh 33,200.

Prepare:

- (i) sales day book;
 (ii) returns inwards day book. (9 marks)

23. (a) Explain each of the following accounting concepts:

- (i) Dual aspect concept.
- (ii) Historical concept.
- (iii) Going concern concept.

(6 marks)

(b) The following are the cash account and the bank account of Jambo Traders for the month of June 2017.

Dr		Cash Account				Cr
Date	Details	Amount	Date	Details	Amount	
June 4	Fiona	60,000	June 8	Paul	28,000	
13	Simon	44,000	22	Rose	59,200	
				Bal. c/f	16,800	
		104,000			104,000	

Dr		Bank Account				Cr
Date	Details	Amount (Ksh)	Date	Details	Amount (Ksh)	
June 1	Capitals Simon	850,000	June 2	Salaries	40,000	
			9	Rent	22,000	
			30	Bal. c/f	788,000	
		850,000			850,000	

Present the information above in a two column cash book. (9 marks)

24. (a) Explain **four** benefits of using a petty cash book in an organization. (8 marks)

(b) Jamaa Limited purchased an equipment for Ksh 350,000 on 1 January 2015. The equipment had an expected economic life of 4 years with an estimated scrap value of Ksh 30,000. The firm depreciates the equipment on straight line method.

For the years 2015 and 2016, prepare:

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

25. (a) Explain **three** sources of income to a non-profit-making organization. (6 marks)

(b) The cash book (Bank column) of Kileta Traders for the month of September 2017 showed a balance of Ksh 240,000. The bank statement for the same period showed a different balance. Upon comparison of the two documents, the following discrepancies were revealed:

- I. Cheques issues to creditors totalling Ksh 161,500 had not been presented for payment.
- II. Bank charges amounting to Ksh 13,300 appeared in the bank statement but not in the cash book.
- III. Cheques received totalling ksh 179,800 had not been credited by the bank.
- IV. A debtor had deposited Ksh 70,000 directly in the bank account.

Prepare:

- (i) updated cash book;
- (ii) bank reconciliation statement. (9 marks)

26. (a) The following balances have been extracted from the books of account of Mamlaka Enterprises for the month of June 2017:

	Ksh
Sales	410,000
Purchases	210,000
Rates	10,000
Discounts allowed	8,000
Returns outwards	18,300
Inventory (30 June 2017)	5,000

Prepare income statement for the month of June 2017. (7 marks)

(b) The following information has been extracted from the accounting records of Tajeta Enterprises for the month of July 2017.

	Ksh
July 1: Sales Ledger - Debit balance	71,200
- Credit balance	57,500

Transactions for the month:

Credit sales	1,024,000
Bad debts	36,000
Discounts allowed	23,700
Cheques received from debtors	450,000
Cash received from debtors	300,000

Prepare a sales ledger control account. (8 marks)

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