

1903/106
1906/106
FINANCIAL ACCOUNTING
November 2022
Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL
CRAFT CERTIFICATE IN SUPPLY CHAIN MANAGEMENT
CRAFT CERTIFICATE IN BUSINESS MANAGEMENT
FINANCIAL ACCOUNTING

3 hours

INSTRUCTIONS TO CANDIDATES

*This paper consists of 26 questions in TWO sections: A and B.
Answer ALL questions in section A and any FOUR questions in section B in the answer booklet provided.
Show all your workings clearly.
Maximum marks for each part of a question are as indicated.
Candidates should answer the questions in English.*

This paper consists of 10 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.

1. State **two** uses of financial statements. (2 marks)
2. State the basic accounting equation. (2 marks)
3. On 1 January 2021, Mandu started business with a loan of Ksh.500,000 from Wasili Commercial Bank. Prepare ledger accounts to record the transaction above. (2 marks)
4. State **two** uses of a trial balance. (2 marks)
5. The following is the cash book summary of Kanga Traders for the month of August 2021.

Dr				Cr			
Date	Details	Cash Ksh.	Bank Ksh.	Date	Details	Cash Ksh.	Bank Ksh.
August				August			
2	Bal. b/d	12,000	25,000	5	x		50,000
5	x	5,000		10	y	10,000	
10	y		10,000				

Describe the transaction: x and y. (2 marks)

6. James was sent on a marketing campaign trip with a cash float of Ksh.50,000. He spent a total of Ksh.45,000.

Determine the amount of money he should be reimbursed before going to the next marketing campaign. (1 mark)
7. On 1 January 2020, Sochi Traders purchased a motor vehicle for Ksh.1,200,000. Depreciation is provided at the rate of 10% per annum on cost.

Calculate the depreciation change for the year 2020. (2 marks)
8. The following information was extracted from the books of account of Nipe Traders for the month of August 2021:

	Ksh
Totals from purchases journal	2,000,000
Totals from purchases returns journal	50,000
Totals from discounts received	10,000

- Prepare a purchases ledger control account. (2 marks)
9. Identify the accounting concept applicable in each of the following statements.
- (i) Stock has always been valued using First in First out method.
- (ii) An electricity bill of Ksh.10,000 has not been paid. (2 marks)
10. Identify the financial statement in which each of the following expenditure is recorded.
- (i) Purchase of a motor vehicle for Ksh.4,000,000.
- (ii) Payment of rent for Ksh.60,000. (2 marks)
11. Highlight **two** reasons for preparing a bank reconciliation statement. (2 marks)
12. The following information relates to the commission income of Mijengo Traders for the year ended 31 December 2020.

	Ksh
Commission accrued as at 1 January 2020	180,000
Commission received during the year	500,000

Prepare the commission income account. (3 marks)

13. The following is a purchases journal prepared by the book-keeper of Metah Traders.

Date	Details	Folio	Amount
2021			Ksh.
September 2	Malala	PL1	25,000
5	Okundi	PL2	30,000
16	Mary	PL3	40,000
30	Totals	GL1	95,000

Post the transactions to the respective ledger accounts. (2 marks)

14. State **two** uses of source documents. (2 marks)
15. State **two** errors that may not affect the agreement of the trial balance. (2 marks)
16. The following balances were extracted from the books of account of Kuku Traders as at 31 December 2020:

	Ksh
Sales	1,200,000
Stock (1 January 2020)	250,000
Purchases	600,000

- Prepare a trading account for the year ended 31 December 2020. (2 marks)
17. Masha Traders does not maintain a complete set of accounting records. State **two** challenges the firm is likely to face. (2 marks)
18. The following are assets and liabilities of Muungano Social Club as at 1 January 2020.

	Ksh
Club house	2,000,000
Subscriptions in advance	800,000
Subscriptions in arrears	600,000

- Prepare a statement of affairs as at 1 January 2020. (2 marks)
19. State **two** reason for providing depreciation on fixed assets. (2 marks)
20. State **two** types of discounts recorded in a three column cash book. (2 marks)

SECTION B (60 marks)

Answer FOUR questions from this section.

21. (a) Explain three causes of differences between the cash book balance and the bank balance of a firm at a particular time. (6 marks)

- (b) The following transactions relate to Jamna Traders for the month of May 2021:

2021

- May 1 Started business with Ksh.1,000,000 at the bank.
- 3 Purchased machinery for Ksh.200,000 and paid by cheque.
- 8 Made cash sales of Ksh.80,000.
- 10 Withdraw Ksh.100,000 from bank for business use.
- 12 Paid wages Ksh.50,000 by cheque.
- 15 Deposited Ksh.40,000 from the cash till into the bank account.
- 18 Withdrew Ksh.80,000 from the bank and used it to pay his son's college fees.
- 25 Deposited all the cash in to the bank except Ksh. 4,000.

Prepare a two column cash book, duly balanced.

(9 marks)

22. (a) Explain **three** circumstances under which a trader may issue a credit note. (6 marks)

(b) The following balances were extracted from the books of account of Mabuku Suppliers as at 31 December 2020:

	Ksh
Sales	2,500,000
Stock (1 January 2020)	800,000
Purchases	1,500,000
Wages	185,000
Commissions received	120,000
Transport expenses	170,000
Capital	?
Drawings	100,000
Stock (31 December 2020)	600,000
Returns inwards	425,000
Returns outwards	86,000
Carriage inwards	74,000
Carriage outwards	130,000
Discounts allowed	40,000
Discounts received	80,000
Debtors	2,400,000
Creditors	104,000

Prepare a trial balance as at 31 December 2020.

(9 marks)

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

- (i) Consistency;
- (ii) Materiality;
- (iii) Money measurement.

(6 marks)

(b) The following balances were extracted from the sales ledger of Ngau Traders as at 1 January 2021:

	Ksh
Sales ledger balances:	2,400,000 Dr
	48,000 Cr
Totals for the month:	
Sales day book	1,800,000
Sales returns day book	100,000
Bad debts written off	80,000
Receipts from debtors	1,500,000
Discounts allowed	200,000
Contra settlements	150,000

Prepare a sales ledger control account.

(9 marks)

24. (a) Explain **three** benefits that may accrue to a business that prepares financial statements. (6 marks)

(b) The following balances were extracted from the books of account of Malaba Stationaries as at 30 June 2021:

	Ksh
Premises	2,600,000 ✓
Furniture	1,200,000 ✓
Stock (30 June 2021)	600,000 ✓
Gross profit	1,000,000 ✓
Discounts allowed	18,000 ✓
Discounts received	30,000 ✓
Wages	200,000 ✓
Transport expenses	120,000 ✓
Rent expenses	150,000 ✓
Bank	500,000 ✓
Cash	125,000 ✓
Capital	?
Debtors	1,200,000 ✓
Creditors	963,000 ✓
Electricity	400,000 ✓
Bad debts written off	80,000 ✓

Prepare:

- (i) profit and loss account for the year ended 30 June 2021.
- (ii) balance sheet as at 30 June 2021.

(9 marks)

26. (a) Explain **three** features of revenue expenditure. (6 marks)
- (b) The following is the receipts and payments account of Waka Social Club.

Waka Social Club

Dr	Receipts and payments account		Cr
2020			
Balance brought down	800,000	Bar purchases	80,000
Subscriptions	1,860,000	Creditors for bar supplies	1,300,000
Donations	120,000	Honoraria	200,000
Bar sales	1,420,000		
Registration fees	100,000	Transport	100,000
		Hire of sports ground	50,000
		Sports pavilion	700,000
		Balance carried down	<u>1,870,000</u>
	<u>4,300,000</u>		<u>4,300,000</u>

Additional information:

	31.12.2019	31.12.2020
	Ksh	Ksh
Bar stock	80,000	120,000
Creditors for bar supplies	600,000	450,000
Subscriptions in arrears	250,000	350,000
Subscriptions in advance	-	400,000

Prepare income and expenditure statement for the year ended 31 December 2020. (9 marks)

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