

1902/203

1908/203

BOOK KEEPING AND ACCOUNTS

November 2016

Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL

CRAFT CERTIFICATE IN SALES AND MARKETING
CRAFT CERTIFICATE IN HUMAN RESOURCE MANAGEMENT
MODULE II

BOOK KEEPING AND ACCOUNTS

3 hours

INSTRUCTIONS TO CANDIDATES

This paper consists of TWO sections, A and B.

Answer ALL the questions in BOTH sections in the answer booklet provided.

Show all your working.

Candidates should answer the questions in English.

This paper consists of 8 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.

1. Explain **four** methods of reducing labour turnover in an organisation. (4 marks)
2. Outline **three** methods of wage remuneration. (3 marks)
3. Explain the information needs of the following users of accounting information:
 - (i) investors;
 - (ii) customers;
 - (iii) employees.
 (3 marks)
4. Distinguish between a cost centre and a profit centre. (4 marks)
5. Explain the effects of the following transactions on the accounting equation:
 - (i) The business paid creditor Wambui Ksh. 700,000 by cash.
 - (ii) The company bought fixtures for Ksh. 200,000 paying by cheque.
 - (iii) The proprietor introduced another Ksh. 500,000 cash into the firm.
 - (iv) Johnie lends the firm Ksh. 300,000 in cash.
 - (v) Bought additional shop premises paying Ksh. 2,000,000 by cheque.
 (5 marks)

6. From the table below identify the accounts to be credited and the accounts to be debited.

Particulars	Accounts to be debited	Accounts to be credited
(i) Bought a motor lorry for cash	-	-
(ii) Paid creditor, Mwenja by cheque	-	-
(iii) Bought office machinery on credit from Ultera Ltd	-	-
(iv) A loan of Ksh. 500,000 in cash is received from Lotodo	-	-

(4 marks)

7. State **three** advantages of double entry system. (3 marks)

8. The following transactions relate to Jaribu Enterprises in the month of March 2016:

March 1 Credit sales to Njoki Ksh. 305,000
 5 Credit sales to Wafula Ksh. 164,000
 16 Credit sales to Mueni Ksh. 45,000
 26 Credit sales to Chero Ksh. 150,000

Prepare a sales journal. (4 marks)

9. The following data relates to Kaunda Enterprises for the year ending 30 June 2016.

	Kshs.
Purchases	400,000
Sales	1,200,000
Sales returns	20,000
Opening stock	10,000
Closing stock	15,000
Salaries	300,000
Rent	50,000

- (i) Prepare an income statement for the year ended 30 June 2016.
 (ii) Comment on the business performance.

(5 marks)

10. P. Juma started his business on 1 January 2015 with Ksh. 650,000 in cash. Transactions for the month were as follows:

- Jan 1 Paid for rent in cash Ksh. 5,000
 4 Bought furniture and fixtures in cash Ksh. 10,000
 8 Bought goods for sale in cash Ksh. 160,000
 12 Opened a bank account and deposited Ksh. 40,000
 14 Sold goods for Ksh. 180,000 and received a cheque Ksh. 95,000

Prepare a two column cash book.

(5 marks)

SECTION B (60 marks)

Answer ALL questions from this section.

11. (a) Explain three objectives of cost accounting. (6 marks)
- (b) The following balances were extracted from the books of Onyancha Traders on 31st December 2015.

	Ksh.
Sales	8,892,600
Purchases	4,188,400
Inventory - 1 Jan 2015	2,533,300
Sales returns	144,700
Bad debts	20,000
Purchases returns	218,800
Insurance	56,000
Discount allowed	90,000
Discount received	170,000
Office salaries	600,000
Office lighting	188,800
Rates	108,200
Motor vehicles (cost)	1,280,000
General expenses	142,400
Rent expenses	50,000

Additional information:

- (i) Rent accrued as at 31 December 2015 Ksh. 15,000.
- (ii) Insurance paid in advance as at 31 December 2015 Ksh. 12,000.
- (iii) Depreciation per annum on motor vehicle is 10% of cost.
- (iv) Inventory on 31 December 2015 Ksh. 1,760,000.

Prepare an income statement for the year ended 31 December 2015.

(9 marks)

7 381 700

$\frac{100}{90} = \frac{1280000}{1280000}$

$\frac{70}{100} \times 1280000$

$\frac{10}{90} \times 1280000$

4

12. (a) The records of Tengeneza Limited shows the following balances as at 30th June 2015.

	Kshs.
Sales	6,800,000
Materials purchased	2,200,000
Direct labour	2,124,000 ✓
Factory rent	<u>120,000 ✓</u>
Depreciation of plant and equipment	180,000 ✓
Factory power	17,000 ✓
Supervisor's salary	73,000 ✓
Advertisement expenses	100,000 ✓
Office power	20,000 ✓
Inventory of raw materials	
1 July 2014 Ksh.	223,000
30 June 2015 Ksh	<u>137,000</u>

Prepare a cost statement showing:

- (i) cost of goods manufactured;
- (ii) cost of goods sold;
- (iii) profit.

(7 marks)

- (b) The following bank statement was received by Mwailu Traders on 30th September 2015.

	Kshs.	Debits	Credits	Balance
		Ksh.	Ksh.	Ksh.
2015				
September 1	Balance b/f			200,000
5	Akinyi	50,000		150,000
7	Cash		70,000	220,000
8	Muni	18,000		202,000
8	Sundry expenses	15,000		187,000
10	Rubi		12,000	199,000
13	Dobi	22,000		177,000
15	Buka		19,000	196,000
15	Wages	30,000		166,000
19	Rent	25,000		141,000
20	Cash		24,000	165,000
30	Bank charges	18,000		147,000
30	Standing order	50,000		97,000

The cash book (bank column) had the following entries for September 2015.

CASH BOOK (Bank Column Only)

2015	Ksh.	2015	Ksh.
Sept 1	Balance b/d	Sept 3	Akinyi
7	Sales	5	Muni
10	Rubi	7	Sundry expenses
15	Buka	10	Robi
20	Sales	15	Wages
27	Mala	18	Rent
28	Wafula	25	Ali
		26	Muli
		30	balance c/d
	<u>385,000</u>		<u>385,000</u>

Prepare:

- (i) An adjusted cash book;
 (ii) a bank reconciliation statement.

(8 marks)

13. (a) The following data relates to three workers of Ardhi Enterprises:

	Mumbi	Solta	Ali
Actual hours worked	42	52	48
Units produced	192	210	144
Time allowed per unit (minutes)	15	20	25

Additional information:

- (i) Basic wage rate is Ksh. 200 per hour.
- (ii) Bonus is paid at 30% of the time saved.
- (iii) Overtime is paid at $\frac{2}{3}$ above the base rate.
- (iv) A week has 40 working hours.

Determine:

- (i) bonus payable;
- (ii) the amount of overtime pay;
- (iii) total wage;
- (iv) advise the management on the effect of overtime payments on productivity.

(8 marks)

- (b) Deco Traders operates a petty cash imprest system. The petty cashier was issued with an imprest of Ksh. 20,000 on 3rd July 2016. The following expenses were incurred for the week ending 9th July 2016.

- July 3 Postage Ksh. 1,000, meals Ksh. 2,400
 4 Bus fare Ksh. 1,200, stationery Ksh. 2,500
 6 Bus fare Ksh. 500, Meals Ksh. 400
 7 Stationery Ksh. 520, Postage Ksh. 400
 8 Meals Ksh. 1,200, bus fare Ksh. 1,800

Prepare a petty cash book containing analysis columns for:

- bus fare;
- postage;
- meals; and
- stationery.

(7 marks)

14. (a) The following balances relate to information extracted from the books of Tenge Enterprises.

	Ksh.
Capital	584,000
Premises	300,000
Motor vehicle	65,000
Furniture	35,000
Inventory	45,000
Simiyu - debtor	17,000
Daudi - creditor	9,200
Purchases	14,000
Sales	26,000
Sundry expenses	2,000
Salaries	5,000
Bank	136,200

119 200
112 200
7 200

Prepare a trial balance.

(6 marks)

- (b) The following transactions relate to Matatu Autospares Limited for the month of July 2016.

2016

- July 1 Credit purchases from Bau Tyres Ksh. 150,000
 5 Credit purchases from Naya Autospares Ksh. 300,000
 16 Goods returned to Bau Tyres Ksh. 20,000 and Naya Autospares Ksh. 15,000
 20 Credit purchases from Kingfisher Tyres Ksh. 200,000
 28 Credit purchases from Nganga Traders Ksh. 180,000
 31 Returned goods to Kingfisher Tyres Ksh. 22,000

Prepare:

- (i) purchases journal;
 (ii) return outwards journal.

(9 marks)

THIS IS THE LAST PRINTED