

1902/203
1908/203
BOOK-KEEPING AND ACCOUNTS
July 2017
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 7 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. State **three** accounting items recorded in the books of original entry. (3 marks)
2. Outline **two** differences between nominal accounts and personal accounts. (4 marks)
3. Explain how the following transactions are recorded in the cashbook:
 - (i) Discount received;
 - (ii) Discount allowed;
 - (iii) Cash re-imburement to the petty cashier.
 (3 marks)
4. Explain the meaning of the following statements:
 - (i) A debit balance of Ksh. 10,000 in the cash column of the cashbook.
 - (ii) A credit balance of Ksh. 5,625 in the bank column of the cashbook.
 (4 marks)
5. The following balances were extracted from the books of account of Nanje Traders:

	Ksh.
Sales	82,000
Purchases	64,000
Opening inventory	13,000
Closing inventory	9,000
Carriage inwards	2,000

Calculate the gross profit. (4 marks)

6. The following Rent and Rates account relates to Membe Enterprises:

Rent and Rates Account					
2014		Ksh	2014		Ksh
January 1	Rent prepaid	10,000	Jan 1	Rent owing	4,000
	31 Bank - Rent	45,000	Dec 1	Income	100,000
	31 Bank - Rates	50,000	Dec 31	Rent prepaid	6,000
	31 Rent accrued	<u>5,000</u>			
		<u>110,000</u>			<u>110,000</u>

Prepare a statement to ascertain the rent expense for the year 2014. (5 marks)

7. State the account to be debited and the account to be credited in each of the following:
- The proprietor started a business with Ksh. 752,000 in cash.
 - Bought a motor vehicle for Ksh. 495,000 and paid by cheque.
 - Bought goods for Ksh. 240,000 on credit from Jam Limited.
 - The proprietor withdrew Ksh. 10,000 in cash from the bank for business use.
- (4 marks)
8. Ghalu intends to start a business at the beginning of the year 2018. In his possession, he has a bicycle worth Ksh. 5,000, inventory valued at Ksh. 50,000 and cash in hand of Ksh. 400. He borrowed Ksh. 20,000 from an uncle and used it to buy a market stall.
- Compute his capital.
- (5 marks)
9. Explain the meaning of the following costing terms:
- Direct materials;
 - Direct wages;
 - Indirect labour;
 - Indirect expenses.
- (4 marks)
10. Jane completed a job in 35 hours for which 50 hours were allowed. His wage rate per hour was Ksh. 12.
- Calculate Jane's total wage, using:
- Halsey scheme;
 - Rowan scheme.
- Recommend the appropriate remuneration scheme to the management for the worker.
- (4 marks)

SECTION B (60 marks)*Answer ALL questions from this section.*

11. (a) The following trial balance was extracted from the books of accounts of Njumbi Traders as at 31 August, 2014.

	DR Ksh.	CR Ksh.
Drawings	234,000	
Capital (1 September 2013)		394,000
Provision for depreciation - motor vehicles		24,000 + 80 = 19,200 10%
Bank	30,000	
Accounts receivable	23,200	
Accounts payable		42,000
Motor vehicle (cost)	180,000	
Sundry expenses	6,800	
Business rates	32,000	
Rent	88,000	
Purchases	520,000	
Sales		818,000
Inventory (1 September 2013)	<u>164,000</u>	
	<u>1,278,000</u>	<u>1,278,000</u>

Additional information:-

As at 31 August 2014

- Inventory was valued at Ksh. 182,000. *closing stock*
 - Accrued rent amounted to Ksh. 8,000.
 - Prepaid business rates amounted to Ksh. 6,000.
 - The motor vehicle is to be depreciated at 20% per annum, on reducing balance basis.
- (i) Prepare income statement for the year ended 31 August 2014.
(ii) Prepare statement of financial position as at 31 August 2014.

(10 marks)

(b) State the effects on assets and liabilities of each of the following transactions undertaken by a sole proprietor, in the first week of January 2017:

- Jan 1 Started mitumba business worth Ksh. 10,000 deposited in a bank account.
- 3 Bought a bale of cloth for Ksh. 15,000 on credit from John, a supplier.
- 4 Sold clothes worth Ksh. 2,000 in cash.
- 5 Paid rent Ksh. 500 by cheque.
- 7 Paid Ksh. 5,000 to John by cheque.

(5 marks)

12. (a) The following are cash transactions of Mbuka Enterprises for the month of March 2017:

March 1 Balances on cash and bank were Ksh. 13,400 and Ksh. 142,840, respectively.

2 The following settled their accounts by cheque, each deducting a 5% cash discount:

- Mwamba - Ksh. 5,200. $5\% \text{ of } 5,200 = 260$ $5,200 - 260 = 4,940$
- Mwangi - Ksh. 32,000. $5\% \text{ of } 32,000 = 1,600$ $32,000 - 1,600 = 30,400$

4 Paid rent for Ksh. 16,600 by cheque. $1\% \text{ of } 16,600 = 1,660$

6 The bank granted Mbuka Enterprises a loan of Ksh. 100,000 in form of a cheque.

8 Settled the following accounts balances by cheque, deducting a cash discount of $2\frac{1}{2}\%$ in each case:

- Green Grocers - Ksh. 14,400. $2\frac{1}{2}\% \text{ of } 14,400 = 360$ $14,400 - 360 = 14,040$
- Mwingi Traders - Ksh. 32,000. $2\frac{1}{2}\% \text{ of } 32,000 = 800$ $32,000 - 800 = 31,200$

12 Mwambure settled her account of Ksh. 1,800 by paying Ksh. 1,760 by cheque.

15 Settled the wages' bill of Ksh. 11,600 in cash.

20 Sela, a debtor, settled her account of Ksh. 10,800 by paying Ksh. 10,260 in form of a cheque.

21 Withdrew Ksh. 8,000 from the account for business use.

24 Withdrew Ksh. 4,000 in cash for personal use.

25 Received Ksh. 3,100 in cash from Pendo who had deducted Ksh. 100 as cash discount.

30 Bought office furniture for Ksh. 14,400 and paid by cheque.

31 Received a commission of Ksh. 2,400 in form of a cheque.

Prepare a three column cashbook.

(8 marks)

DATE
DETAILS
DISC. ALLOWED
CASH
BANK

DATE
DETAIL
DISC. REC.
CASH
BANK

- (b) Mati Enterprises is a medium sized manufacturing firm. The following balances were extracted from their records for the month ended June 30, 2015:

	Ksh.
Inventory of raw materials - June 1 st	240,000
- June 30 th	300,000
Direct labour cost	700,000
Raw materials purchased	1,200,000
Returns of raw materials	160,000
Direct expenses	170,000

Handwritten notes:
 - Closing
 - wages
 - assets
 - 127
 - 117
 - 29
 - 360,000

Calculate the prime cost.

(7 marks)

13. (a) In a firm, there is work that can be done by either Wekesa or Onyango. The time to complete the work is as follows:

Normal time (hours)
 Evening time (hours)
 Weekend (hours)

	Wekesa	Onyango
Normal time (hours)	220 + 300 = 520	150 + 300 = 450
Evening time (hours)	60 + 300 = 360	80 + 300 = 380
Weekend (hours)	30 + 300 = 330	16 + 300 = 316

The remuneration is made up of a basic wage rate of Ksh. 300 per hour, overtime rates are time and a half of basic wage for evening and double time of basic wage for weekends.

- (i) Determine the amount that each employee would earn.
 (ii) The owner of the business would like to minimise the costs. Advise the firm on the employee to be assigned the work.

(7 marks)

- (b) Distinguish between the following sets of documents:

- (i) Debit note and credit note;
 (ii) An invoice and cash receipt.

(8 marks)

Handwritten note: real

14. (a) Ongata Traders made the following purchases and sales on credit during the month of April, 2017.

- 1 Sold goods to Mshale for Ksh. 60,000, less trade discount of 25%. *60000 x 25 / 100*
- 3 Purchased goods from Likoko for Ksh. 300,000, less trade discount of $33\frac{1}{2}\%$. *290100* *300000 x 33.5 / 100 = 100500*
- 4 Sold goods to Radi for Ksh. 400,000 less trade discount of 40%. *240000*
- 16 Bought goods from Alenga for Ksh. 320,000; less trade discount of 50%.
- 23 Sold goods for Ksh. 200,000 to Yauma, less trade discount of 20%.
- 30 Bought goods for Ksh. 100,000 from Maneno, less trade discount of 50%.

- (i) Prepare:
 - I. Sales daybook;
 - II. Purchases daybook;
- (ii) Post the entries from the daysbooks prepared in (i) I above to the personal accounts.
- (iii) Post the totals of the daybooks prepared in (i) I above, to the sales account and the purchases account.

(7 marks)

(b) Explain how each of the following functions are exercised in accounting:

- (i) Recording data. *Journals*
- (ii) Classifying data. *ledgers*
- (iii) Summarising data.
- (iv) Communicating information.

(8 marks)

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