

1902/203

1908/203

BOOKKEEPING AND ACCOUNTS

July 2018

Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL

**CRAFT CERTIFICATE IN SALES AND MARKETING
CRAFT CERTIFICATE IN HUMAN RESOURCE MANAGEMENT**

MODULE II

BOOKKEEPING AND ACCOUNTS

3 hours

INSTRUCTIONS TO CANDIDATES

*This paper consists of **FOURTEEN (14)** questions in **TWO** sections; **A** and **B**.*

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

Maximum marks for each question are as indicated.

*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.

Answer ALL questions in this question.

1. Outline the meaning of the following accounting concepts:
 - (i) materiality concept;
 - (ii) monetary concept. (4 marks)
2. On 1 January 2017, Hodari Enterprises had a capital of Ksh. 194,000. During the year the firm realised a net profit of Ksh. 62,000. The proprietor took goods valued at Ksh. 17,000 for personal use. Determine capital as at 31 December 2017. (3 marks)
3. The following transactions relate to Mambo Traders for the month of April 2018.

2018

- April 4 Sold goods on credit to Otieno for Ksh. 16,000.
 10 Sold good on credit to Harry for Ksh. 24,000.
 18 Sold goods on credit to Otieno for Ksh. 38,000.

Prepare a sales journal. (5 marks)

4. The following transactions relates to Tama Traders for the month of April 2018:
 - (i) April 6 Tama issued a cheque of Ksh. 54,000 to Nyara Traders in full settlement of an account of Ksh. 56,400.
 - (ii) April 15 Tama received Ksh. 274,400 from Shah Traders in cash after allowing a cash discount of 2%.

Enter the above transactions in a three column cash book. (4 marks)
5. The following information relates to the business of Gendo Enterprises for the year ended 31 December 2017.

	Ksh
Sales returns	80,000
Inventory (1 January 2017)	30,000
Inventory (31 December 2017)	44,000
Carriage inwards	6,000
Sales	460,000
Purchases	200,000

- (i) Prepare a trading account for the year ended 31 December 2017.

- (ii) Assuming Gendo Enterprises expected a gross profit of at least Ksh. 100,000, advise the proprietor. (5 marks)

6. Outline the meaning of the following accounting terms:

- (i) prime cost;
(ii) factory overheads. (4 marks)

7. Fana Enterprises intends to employ Iteni as an additional worker under the following conditions:

Normal working hours per week	- 40 hours
Normal rate per hour	- Ksh. 120.
Overtime rate	- $1\frac{1}{2}$ times normal rate.
Number of hours worked	- 48 hours.

Estimate the total pay for the week to be paid to Iteni. (4 marks)

8. State **two** advantages of piece rate as a method of remuneration. (4 marks)

9. Outline the **three** elements of cost. (3 marks)

10. The following balances were extracted from the books of accounts of Umoja Traders as at 31 March, 2014:

	Ksh
Inventory	84,000
Accounts payable	32,000
Bank overdraft	40,000
Accounts receivable	18,000
Cash	36,000

Determine working capital. (4 marks)

Answer ALL the questions in this section.

11. The following trial balance was extracted from the books of accounts of Zero Traders as at 30 September, 2017:

	Dr	Cr
Equipment	300,000	
Cash at Bank	180,000	
Bank loan		100,000
Rent	60,000	
Sales		1,256,000
Accounts payable		20,000
Accounts receivable	32,000	
General expenses	44,000	
Drawings	38,000	
Purchases	400,000	
Inventory (1 October, 2016)	26,000	
Capital		200,000
Furniture	280,000	
Salaries	50,000	
Stationery	46,000	
Cash in hand	<u>120,000</u>	
	<u>1,576,000</u>	<u>1,576,000</u>

Additional information:

As at 30 September, 2017, inventory was valued at Ksh. 15,000.

Prepare:

- (i) income statement for the year ended 30 September, 2017.
- (ii) statement of financial position as at 30 September, 2017. (15 marks)
12. (a) Tata Enterprises is planning to employ Lima with a basic hourly rate of Ksh. 160. Bonus on time saved is to be paid using Rowan scheme. Lima expects to complete the job in 60 hours, while time allowed is 86 hours.
- Estimate wage payable to Lima. (7 marks)

- (b) Explain how each of the following transactions would affect the balance sheet items:

2018

- April 2 Bought machinery for Ksh. 80,000 on credit.
8 Deposited Ksh. 48,000 cash into a business bank account.
21 Received a cheque of Ksh. 45,000 from a debtor.
28 Proprietor bought furniture valued Ksh. 40,000 and paid in cash.

(8 marks)

13. (a) State **three** advantages of computerised accounting system to an organization.

(6 marks)

- (b) Pele Traders used petty cash book in imprest system with a monthly cash float of Ksh. 60,000. The petty cashier is reimbursed the amount spent on the last day of the month. During the month of January 2018, the following payments were made:

	Ksh
January 5 Okello, a creditor,	22,200
8 Petrol	4,000
10 Typing papers	1,400
12 Sugar for staff - tea	1,500
15 Car polish	300
18 Foolscaps	2,400
24 Juma, a creditor	5,000
27 Milk for staff - tea	600
29 Car repairs	3,000

Prepare a petty cash book for January 2018, using the following analysis columns:

Stationery;
Motor expenses;
Staff welfare;
Ledger.

(9 marks)

14. (a) The following transactions relates to Ruke Traders for the month of February 2018:

- February 2 Proprietor started business by depositing Ksh. 460,000 into a business bank account.
4 Bought furniture for Ksh. 19,000 paying by cheque.
8 Withdrew Ksh. 100,000 cash from the bank for business use.
10 Bought goods for Ksh. 25,000 paying by cash.
15 Proprietor took Ksh. 4,000 cash for personal use.
24 Sold goods for Ksh. 16,000 on credit to Daniel.

Enter the above transactions in the relevant ledger accounts.

(6 marks)

(b) The following information relates to Luma Enterprises for the year ended 31 December, 2017:

	Ksh
Purchases of raw materials	1,900,000
Factory power ^{ov}	240,000
Factory rent ^{ov}	160,000
Inventory of raw materials (1.1.2017) ^{ov}	20,000
Inventory of raw materials (31.12.2017) ^{ov}	50,000
Direct factory wages	80,000
Factory supervisors wage ^{ov}	48,000
Carriage on raw materials	90,000
Direct factory expenses ^{ov}	38,000
Depreciation of factory machinery ^{ov}	65,000

Prepare a cost statement for the year ended 31 December 2017.

(9 marks)

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