

1902/203

1908/203

BOOK KEEPING AND ACCOUNTS

November 2018

Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL

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

BOOK KEEPING AND ACCOUNTS

3 hours

INSTRUCTIONS TO CANDIDATES

*This paper consists of **FOURTEEN** questions in **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 questions in this section.

1. The following information relates to Zed Enterprises for the year ended 31 December 2017.

	Ksh
Opening inventory	1,400,000
Purchases	2,600,000
Closing inventory	900,000
Sales	3,200,000
Sales returns	100,000
Carriage inwards	70,000

Prepare a trading account for the year ended 31 December 2017. (4 marks)

2. State the accounting concept applicable in each of the following cases:

- Kata Limited has been using the straight line method of depreciation for its fixed assets for last five years.
- An outstanding bill of electricity for the year ended 31 December 2017 was discovered in the filing tray.
- Payment of rent by cash had been debited in the rent account and credited in the cash account. (3 marks)

3. Complete the following table:

Assets	Liabilities	Capital
Ksh	Ksh	Ksh
120,000	40,000	_____
200,000	_____	170,000
_____	50,000	45,000

(3 marks)

4. State the function of each of the following books of original entry:

- cash book;
- purchases journal;
- sales journal.

(3 marks)

5. State the meaning of the following terms as used in petty cash books:
- imprest system;
 - cash float. (4 marks)
6. Differentiate between fixed costs and variable costs as used in cost accounting. (4 marks)
7. Otieno, an employee of Amani Enterprises is expected to work 8 hours per day for 6 days in a week. He is paid at a normal rate of Ksh 80 per hour. Overtime is paid at the rate of $1\frac{1}{4}$ times of the normal rate. During the first week of April 2018, he worked for 60 hours. Determine his total earnings for the week. (5 marks)
8. The following information relates to Biko Enterprises for the month of February 2018:

	Ksh
Wages and salaries	150,000
Rent	20,000
Purchase of office printer	15,000
Purchase of office stationery	5,000
Purchase of computer	3,500
Electricity cost	3,000

Determine the total revenue expenditure. (5 marks)

9. Classify each of the following costs as either direct costs or indirect costs:
- Wages of a supervisor.
 - Raw materials used in production.
 - Royalties.
 - Office secretary salary.
 - Repairs to machinery. (5 marks)
10. Indicate the account to be debited or credited in each of the following cases:
- Withdrawal of cash from bank for personal use.
 - Payment of wages by cheque. (4 marks)

SECTION B (60 marks)

Answer ALL questions in this section.

11. (a) The cash book of Nyamu Traders for the month of January 2018 showed a bank balance of Ksh 42,000 while the bank statement for the same period showed a different balance. On comparison the following discrepancies were revealed:
- (i) a cash deposit of Ksh 4,500 into bank had been entered in the cash book as Ksh 5,400.
 - (ii) a cheque for Ksh 6,000 to a creditor had not been presented for payment.
 - (iii) bank charges were Ksh 500.
 - (iv) A dividend of Ksh 11,000 had been collected by the bank.
 - (v) A cheque of Ksh 10,000 deposited on January 31 had not been reflected on the bank statement.
 - (vi) The bank had paid a standing order for rent Ksh 3,000.

Prepare:

- I. an updated cash book;
- II. a bank reconciliation statement.

(9 marks)

- (b) Explain each of the following types of ledgers:

- (i) purchases ledger;
- (ii) sales ledger;
- (iii) general ledger.

(6 marks)

12. (a) The petty cashier of Kaluma Enterprises was given a cash float of Ksh 7,000 by the main cashier on 1 April 2018. The following petty cash payments were made during the month:

2018			Ksh
April	1	Telephone bill	1,200
	2	Envelopes	400
	4	Calling cards	1,500
	5	Printing	2,000
	15	Bus fare	250
	17	Brooms	520
	22	Creditor - S. Juma	160
	25	Soap	90
	30	Petrol	800

- (i) Prepare a petty cash book for the month of April 2018 using the following analysis columns:
- cleaning
 - stationery
 - travelling
 - telephone
 - ledger account
- (ii) On 30 April 2018, the main cashier sent a creditor, Otieno to the petty cashier for a payment of Ksh 550. Advise the petty cashier on the action to take. (9 marks)
- (b) The following transactions relate to Diana Traders for the month of February 2018.

2018			Ksh
February	4	Sold goods on credit to Paul.	20,000
	8	Sold goods on credit to Ngetia.	25,000
	15	Paul returned goods worth.	6,000
	18	Sold equipment on credit to Karuga.	10,000
	20	Sold goods on credit to Ngatia.	22,000
	22	Purchased furniture on credit from Tables Limited.	50,000
	24	Ngatia returned goods worth.	2,000
	29	Sold goods on credit to Keri.	10,000

Prepare:

- (i) sales journal;
 (ii) sales return journal;
 (iii) general journal. (6 marks)

13. (a) Explain the information needs of each of the following users of financial statements:

- (i) government;
- (ii) shareholders;
- (iii) public members.

(6 marks)

(b) On 1 June 2018, Karimi started a business with Ksh 600,000 in cash out of which Ksh 400,000 was deposited into the business bank account. The following transactions took place during the month of June 2018:

2018

- | | | |
|------|----|--|
| June | 1 | Purchased furniture for Ksh 140,000 in cash. |
| | 2 | Bought goods for Ksh 500,000 from M. Mwanza on credit. |
| | 3 | Sold goods for Ksh 116,000 to R. Kola and Ksh 228,000 to J Fatuma all on credit. |
| | 9 | J. Fatuma returned goods worth Ksh 5,000. |
| | 21 | Paid Ksh 94,000 for office expenses by cheque. |
| | 30 | Paid W. Mwanza half of the amount due to him by cheque. |

Prepare ledger accounts to record the transactions above.

(9 marks)

14. (a) John, Jane and Joyce are employees of Tanga Enterprises. The employees are expected to work for 8 hours per day for 5 days a week. The normal rate of pay is Ksh 100 per hour. Overtime is paid at the rate of $1\frac{1}{2}$ times.

During the month of June 2018, the employees worked as follows:

	Number of hours worked
John	180
Jane	160
Joyce	200

Additional information:

- (i) During the month, John and Joyce received a salary advance of Ksh 7,000 each.
- (ii) NHIF and NSSF are deducted monthly at a rate of Ksh 500 and Ksh 320 respectively.
- (iii) P.A.Y.E is charged at the rate of 20% on the gross pay.

Prepare a payroll showing the net amount payable to each employee for the month of June 2018.

(8 marks)

- (b) The following balances were extracted from the books of Kungwa Enterprises as at 30 June 2018.

	Ksh
Sales	600,000
Purchases	278,800
Returns inwards	87,000
Carriage outwards	12,200
Returns outwards	40,000
Motor vehicles	180,000
Inventory (1 July 2017)	84,200
Salaries	304,000
General expenses	175,000

Additional information:

- On 30 June 2018, inventory was valued at Ksh 64,200.
 - Depreciation on motor vehicles is to be provided at 25 percent per annum.
- (i) Prepare an income statement for the year ended 30 June 2018.
(ii) Comment on the profitability of the business.

(7 marks)

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