

1902/203

1908/203

BOOK-KEEPING AND ACCOUNTS

July 2019

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 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.

SECTION A (40 marks)

Answer **ALL** the questions in this section.

1. The following balances were obtained from the books of Tausi Retailers as at 31 December 2018:

	Ksh
Inventory	130 000
Accounts payable	66 000
Bank loan	58 000
Cash in hand	110 000
Accounts receivable	82 000

- (a) Determine the capital as at 31 December, 2018.
- (b) The proprietor expected to have capital of Ksh 210 000 as at 31 December, 2018. Using the results in (i) above, comment on his achievements. (5 marks)
2. Outline **four** features of capital expenditure. (4 marks)
3. State the source documents for each of the following transactions:
- (a) Sale of goods on credit;
- (b) Goods returned by customers;
- (c) Sale of goods in cash;
- (d) Correction of an undercharge amount in a customer's account. (4 marks)
4. List **four** entries that appear in the bank statement and not in the cashbook of an organization during a stated period. (4 marks)
5. The following information relates to Nyan Traders for the year ended 31 December, 2018:

	Ksh.
Inventory (1 January 2018)	48 000
Inventory (31 December 2018)	56,000
Sales	932 000
Purchases	549 000

Prepare a trading account for the year ended 31 December, 2018. (5 marks)

6. List **three** elements of cost in the manufacture of a product. (3 marks)
7. Peter, an employee of Tino Enterprises works for 8 hours in a day and 5 days in a week. He is paid wages at the rate of Ksh. 100 per hour. Calculate his gross wage for the week. (3 marks)
8. The following transactions relate to the business of Nono Traders.

- Feb 4 Sold goods for Ksh 118,000 in cash.
5 Bought equipment for Ksh 30,000 on credit from Paul.
8 Paid Paul Ksh 22,000 in cash.
12 Bought equipment for Ksh 20,000 in cash

Enter the transactions above in thee ledger accounts. (4 marks)

9. The following costs relate to Wendoh Enterprises:

	Ksh
Factory power	180,000
Wages of machine operators	240,000
Raw materials	466,000
Factory rent	58,000

Calculate:

- (a) total direct costs;
(b) total indirect costs.

(4 marks)

10. State **two** reasons for considering a three column cashbook as a ledger as well as a journal. (4 marks)

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

11. (a) Explain **three** advantages of using time rate method of remuneration to an organization. (6 marks)
- (b) The following is the statement of financial position of Zuna Traders as at 30 April 2019.

Statement of Financial Position as at 30 April 2019

	Ksh	Ksh
Non current Assets:		980,000
Current assets:		
Inventory	160,000	
Accounts receivable	100,000	
Cash	<u>210,000</u>	<u>470,000</u>
		<u>1,450,000</u>
Capital		820,000
Bank loan		200,000
Current liabilities:		
Accounts payable	180,000	
Bank overdraft	<u>250,000</u>	<u>430,000</u>
		<u>1,450,000</u>

The following transactions took place during the month of May 2019.

- (i) Deposited Ksh 115,000 of the cash into the business bank account.
- (ii) Received a cheque for Ksh 24,000 from a debtor.
- (iii) The proprietor brought equipment valued at Ksh 64,000 for business use.
- (iv) Paid a creditor Ksh 38,000 in cash.
- (v) Repaid the bank loan for Ksh 20,000 in cash.

Prepare a statement of financial position as at 31 May 2019.

(9 marks)

12. (a) Explain the meaning of the following accounting concepts:

- (i) consistency;
- (ii) accrual;
- (iii) going concern.

(6 marks)

(b) The following information relates to Twito Manufacturers for the year 2018.

	Ksh
Purchases of raw materials	1,140,000
Factory repairs	320,000
Wages of machine operators	488,000
Raw materials inventory (1 January 2018)	56,000
(31 December 2018)	78,000
Depreciation of machinery	124,000
Factory power	210,000
Carriage on raw materials	38,000
Hire of equipment	164,000

Prepare a cost statement for the year 2018.

(9 marks)

13. (a) The following transactions relate to Hello Traders for the month of July 2018.

- July 4 Sold goods for Ksh 40,000 on credit to Tevo.
- 8 Bought goods for Ksh 66,000 on credit from Ann.
- 12 Sold goods for Ksh 94,000 on credit to Mary.
- 16 Returned goods worth Ksh 12,000 to Ann.

Enter the transactions above in the relevant journals.

(7 marks)

- (b) Wina Enterprises has four employees whose payments for August 2018 are as follows:

	Basic Wages	Allowances
	Ksh	Ksh
Ann	48,000	6,000
Ben	36,000	5,000
Charles	40,000	6,000
Dolly	30,000	4,000

Additional information:

- (i) PAYE is deducted at the rate of 30% of gross earnings.
- (ii) NHIF is deducted at Ksh 500.
- (iii) Union dues are deducted at 2% of the basic wage.

Prepare a payroll for the month of August 2018.

(8 marks)

14. (a) The cashbook of Ado Traders for the month of January 2019 showed a closing bank balance of Ksh. 52,600. The bank statement received for the same period showed a different closing balance.

On comparison, the following discrepancies were revealed:

- (i) A cheque of Ksh. 28,000 deposited had not been credited by the bank.
- (ii) The bank had levied a charge of Ksh 4,000.
- (iii) A customer deposited Ksh 39,000 directly into the bank account.
- (iv) The bank had paid a standing order of Ksh 10,000.
- (v) A cheque of Ksh 30,000 had not been presented for payment.

Prepare:

- (I) an adjusted cashbook;
- (II) a bank reconciliation statement.

(8 marks)

- (b) The following information relates to Thomo Traders for the year 2018.

	Ksh
Sales	1,320,000
Cost of sales	762,000
Discounts received	12,000
Stationery	61,000
Salaries	152,000

Prepare an income statement for the year ended 31 December 2018.

(7 marks)

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