

1922/201
PRINCIPLES OF ACCOUNTING
November 2022
Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL
CRAFT CERTIFICATE IN PROJECT MANAGEMENT
MODULE II

PRINCIPLES OF ACCOUNTING

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 workings.
Maximum marks for each part of a question are as shown.
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 (32 marks)

Answer ALL the questions in this section.

1. State the meaning of the term float as used in petty cash book. (2 marks)
2. On 31 December 2021, the debtors balance of Bengani Limited was Ksh 420,000. A provision for bad debts is to be made at 5%. Prepare the provision for bad and doubtful debts account. (2 marks)
3. State the type of error committed in each of the following transactions:
 - (i) Repairs to motor vehicles was entered in motor vehicles account.
 - (ii) Sale of goods to Thomas was posted to Tom's account. (2 marks)
4. The following balances were obtained from the books of account of Tama Traders as at 31 December 2021.

13

| | Ksh |
|---------------------|-----------|
| Sales | 1,470,000 |
| Capital | 684,000 |
| Discounts received | 173,000 |
| Accounts receivable | 587,000 |
| Returns outwards | 20,000 |
| Purchases | 1,760,000 |

Prepare a trial balance as at 31 December 2021. (4 marks)

5. Classify each of the following items as either revenue reserve or capital reserve:
 - (i) retained profits;
 - (ii) share premium. (2 marks)
6. State the meaning of each of the following terms as used in bank reconciliation statements:
 - (i) direct debits;
 - (ii) standing order. (4 marks)



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7. The following balances relate to Mamba Traders as at 31 December 2021.

| | 31 December 2021 | 31 December 2020 |
|---------------------|------------------|------------------|
| | Ksh '000' | Ksh '000' |
| Motor vehicles | 4,428 | 3,000 |
| Inventory | 420 | 280 |
| Accounts payable | X | 748 |
| Accounts receivable | 502 | Y |
| Capital | 3,909 | 3,138 |

Determine the values of:

- (i) X;
(ii) Y.

(4 marks)

8. State the account to be debited or credited in each of this following transactions;

- (i) bad debts recovered;
(ii) cash received from bad debts recovered.

(4 marks)

9. The following information was obtained from the trading account Kusa Traders for the year ended 31 December 2021.

| | Opening inventory | Closing inventory | Sales | Gross profit | Purchases |
|------|-------------------|-------------------|------------|--------------|-----------|
| | Ksh | Ksh | Ksh | Ksh | Ksh |
| (I) | 2,000,000 | 1,000,800 | 2,100,2000 | (80,100) | A |
| (II) | 800,500 | B | 4,000,200 | 2,500,000 | 1,200,300 |

Determine the values of:

- (i) A; 1,799,300
(ii) B; 1,379,500

(4 marks)

$$\begin{aligned}
 X &= 748 \\
 502 &= ? \\
 502 \times 748 & \\
 1444000 & \\
 877000 &
 \end{aligned}$$

26171

20770



| | Ksh |
|--------------------------------------|----------------|
| Balances as at 1 March 2022: | |
| Purchases ledger | Debit 14,000 |
| | Credit 417,000 |
| Sales ledger | Debit 982,400 |
| | Credit 101,800 |
| Transactions during the month | |
| 7 Cash received from debtors | 300,100 |
| 3 Cheques paid to suppliers | 360,200 |
| c Cash paid to suppliers | 326,580 |
| d Dishonoured cheques from customers | 70,000 |
| d Discounts received | 88,220 |
| c Credit purchases ✓ | 629,710 |
| d Returns inwards | 140,000 |
| c Returns outwards | 13,000 |
| Cheques received from customers | 626,700 |
| Contra settlements | 50,000 |
| Credit sales ✓ | 498,100 |
| Balances as at 31 March 2022 | |
| Purchases ledger | Debit 13,040 |
| Sales ledger | Credit 29,800 |

Prepare:

- (i) purchases ledger control account;
- (ii) sales ledger control account.

(9 marks)

12. (a) Explain four qualities of good accounting information.

(8 marks)



- (b) Leta and Anod are in partnership sharing profits and losses in the ratio 2:1 respectively. The following information was obtained from the books of account of the business as at 31 December 2021.

| | Ksh |
|-------------------------|-----------|
| Sales | 8,330,500 |
| Cost of sales | 5,099,820 |
| Salaries and wages | 590,000 |
| Discounts received | 180,000 |
| Discounts allowed | 38,200 |
| Administration expenses | 318,500 |
| Salaries to partners: | |
| Leta | 324,000 |
| Anod | 280,000 |
| Drawings by partners: | |
| Leta | 490,200 |
| Capital accounts: | |
| Leta | 2,000,000 |
| Anod | 1,400,000 |

Additional information:

- (i) Interest on drawings is 6%;
 (ii) interest on capital is allowed at 12% p.a.

Prepare an income statement for the year ended 31 December 2021. (9 marks)

13. (a) Explain each of the following accounting concepts;

- (i) dual aspect concept;
 (ii) monetary unit concept;
 (iii) accruals concept;
 (iv) going concern concept.

(8 marks)



(b) The cashbook (bank column) balance of Soma Limited as at 31 December 2021 showed a debit balance of Ksh 293,460 while the bank statement showed a credit balance of Ksh 374,490 during the same period. Upon investigations, the following discrepancies were revealed.

- (I) A standing order of Ksh 25,000 had been effected by the bank. *bank*
- (II) Bank charges amounted to Ksh 11,950. *bank*
- (III) A cheque for Ksh 40,000 from a debtor had been dishonoured. *update*
- (IV) Cheques totalling Ksh 213,400 had not been credited by the bank. *updated*
- (V) A dividend of Ksh 20,000 had been received by the bank. *updated*
- (VI) Unpresented cheques amounted to Ksh 43,000. *Bank*
- (VII) A cheque for Ksh 169,300 received from a debtor had been entered in the cash book as Ksh 163,900. *Bank update*

Prepare:

- (i) updated cashbook;
- (ii) a bank reconciliation statement as at 31 December 2021.

(9 marks)

- 13.14. (a) Explain four differences between revenue expenditure and capital expenditure. (8 marks)

- (b) The trial balance of Nzaku failed to agree, the credit side exceeding the debit side by Ksh 128,000. Upon investigations, the following errors were revealed:

- (I) Rent expenses of Ksh 140,000 had been credited to the rent income account.
- (II) A machinery purchased for Ksh 130,000 had been entered in the purchase account;
- (III) The sales day book had been undercast by Ksh 89,000;
- (IV) The discounts allowed account had been undercast by Ksh 34,000;
- (V) Returns outward account had been overstated by Ksh 3,000.

Prepare:

- (i) a general journal to correct the errors above;
- (ii) suspense account duly balanced.

(9 marks)

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