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SECTION A (32 marks)

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

1. Highlight **two** uses of the petty cash book. (2 marks)

_____

_____

_____

_____

2. The following table shows the liabilities, assets and capital of three businesses.

Business	Liabilities (Ksh)	Assets (Ksh)	Capital (Ksh)
X	60,000	?	120,000
Y	?	640,000	380,000
Z	170,000	390,000	?

Determine the value of the missing items. (3 marks)

3. Explain each of the following accounting concepts:

(i) Going concern;
(ii) Accruals. (4 marks)

_____

_____

_____

_____

_____

_____

4. Classify each of the following expenses as either **revenue** expenditure or **capital** expenditure:

(i) purchase of stock _____

(ii) purchase of office furniture _____

(iii) repainting of an old building _____

(iv) partitioning of an office block _____

(4 marks)

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5. On 1 January, 2009, Juma bought equipment for Ksh.400,000. The equipment was expected to depreciated at a rate of 15% per annum using reducing balance method.
For the three years ended 31 December, 2009, 2010 and 2011, prepare the provision for depreciation account. (4 marks)

6. State the source document issued by a firm in each of the following transactions:

(i) Sale of goods on credit _____

(ii) Goods returned to the firm by a customer _____

(2 marks)

7. The following information relates to Jaribu supermarket as at 30 June, 2012:

	Ksh
Creditors	68,000
Inventory	193,000
Bank	32,400

Prepare a statement of affairs as at 30 June, 2012. (2 marks)

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8. Farida had the following data relating to her business.

Year	Cost of Sales (Ksh)	Sales (Ksh)	Expenses (Ksh)
2010	540,000	1,500,000	360,000
2011	590,000	1,600,000	712,000

(i) Calculate the Net Profit for each year.

(ii) Advise Farida on the measures to take to improve the net profit.

(4 marks)

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9. The following errors were discovered in the books of Jambo Traders.

(i) Ksh 5,000 spent on furniture repairs was recorded in the furniture account _____

(ii) A credit sale to B. Malik was entered in B. Mailaka's account _____

(iii) A cash payment of Ksh 2,900 was not recorded in the books _____

State the type of error in each of the cases above. (3 marks)

10. Jamii social club received the following amounts for subscriptions during the year ended 31 December:

	Ksh
2010	120,000
2011	145,000

Included in the amount received in 2010 was Ksh 15,000 relating to 2009 and Ksh 35,000 relating to 2011.
Included in the amount received in 2011, was Ksh 18,000 relating to 2010.

Prepare a statement to ascertain the subscriptions for the year 2010.

(4 marks)

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SECTION B (68 marks)

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

11. (a) Zawadi started business on 1 June, 2012 with Ksh 200,000 cash. The following transactions took place during the month:

June 2 Opened a business bank account and deposited Ksh 140,000;
3 Paid rent of Ksh 25,000 by cheque;
5 Bought goods on credit from Tala wholesalers worth Ksh 185,000;
9 Bought stationery for Ksh 2,700 cash;
11 Purchased furniture worth Ksh 56,000 by cheque;
20 Sold goods on credit to B. Diwa for Ksh 68,000;
25 Obtained a loan of Ksh 300,000 from Mengi finance inform of a cheque;
27 Made cash sales of Ksh 77,000;
30 Received Ksh 50,000 in form of a cheque from B. Diwa.

Prepare ledger accounts to record the above transactions.

(10 marks)

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(b) On 31 May, 2012, the totals of the trial balance extracted from the books of Mapato Enterprises failed to agree. The difference of Ksh 1,000 was entered on the credit side of the suspense account.
The following errors were later discovered:

(i) The debit side of the general expenses account was undercast by Ksh.1,200;
(ii) A cash sale of Ksh 28,500 was completely omitted from the books;
(iii) Discounts allowed of Ksh 3,400 had been credited in the discounts received account;
(iv) Equipment purchased for Ksh 45,000 was debited in error as Ksh 54,000.

Prepare:

(i) journal entries to correct the above errors;

(ii) the suspense account, duly balanced.

(7 marks)

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12. (a) Explain **four** uses of the general journal.

(8 marks)

(b) The following balances were extracted from the books of Expert Traders as at 31 December, 2011:

	Ksh
Sales	439,800
Premises	580,000
Purchases	292,800
Drawings	80,500
Carriage outwards	17,500
Capital	620,000
Debtors	170,800
Creditors	267,500
Bank	37,600
Salaries and wages	61,100
Rent	87,000

Additional information:

- Inventory was valued at Ksh 71,400 on 31 December, 2011.
- On 31 December, 2011, outstanding wages amounted to Ksh 4,200 while prepaid rent was Ksh 15,000.

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(i) Prepare:

I. an income statement (trading, profit and loss account) for the year ended 31 December, 2011.

II. a statement of financial position (balance sheet), as at 31 December, 2011.

(ii) Advise the owner on the measures he can take in general, to improve the capital. (9 marks)

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13. (a) Explain **four** causes of depreciation of fixed assets. (8 marks)

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(b) On 1 March, 2012, the cash book of Nadir Enterprise had a balance of Ksh.60,100 in cash and Ksh.290,400 at the bank.
The following transactions took place during the month:

March 1 Received cheques from: T. Sambu Ksh.12,000; B. Mali Ksh.36,400;
4 Paid electricity Ksh.4,900 in cash;
7 Made cash sales of Ksh.47,200;
12 Paid the following by cheque: C. Mwanzo Ksh.11,000; Mega Ltd Ksh.157,500;
15 Withdrew Ksh.22,000 in cash for personal use;
21 Took Ksh.50,000 from the cash till and went and deposited it into the bank account;
27 Received a refund on rates of Ksh.1,700;
30 Paid salaries Ksh.48,000 by cheque;
31 Purchased goods for Ksh.31,300 by cheque.

Prepare a two column cash book from the transactions given above.

(9 marks)

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14. (a) The following balances were extracted from the books of Kilo Traders as at 31 December:

	2010 Ksh	2011 Ksh
Electricity accrued	12,700	1,200
Insurance prepaid	14,600	16,000
Commission receivable outstanding	1,500	700

During the year ended 31 December, 2011:

(i) Electricity paid amounted to Ksh 64,000;
(ii) Water paid amounted to Ksh 3,000;
(iii) Insurance paid was Ksh 80,000;
(iv) Commission received amounted to Ksh 11,200.

Prepare:

(i) water and electricity account;
(ii) insurance account;
(iii) commission receivable account.

(8 marks)

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(b) The following balances were obtained from the books of Super Traders as at 1 June 2012.

	Ksh
Sales ledger:	354,000 DR
	12,400 CR
Purchases ledger:	279,500 CR
Transactions during the month:	
Credit purchases	799,800
Credit sales	1,074,900
Discounts received	38,800
Customers' cheques dishonoured	14,500
Receipts from debtors	648,100
Payments to creditors	497,200
Contra settlements	56,800
Discounts allowed	27,100
Balances as at 30 June 2012:	
Sales ledger	1,600 CR
Purchases ledger	19,200 DR

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Prepare:

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

(9 marks)