

**2908/304**  
**ACCOUNTING AND CONTROL**  
**July 2023**  
**Time: 3 hours**



**THE KENYA NATIONAL EXAMINATIONS COUNCIL**  
**DIPLOMA IN HUMAN RESOURCE MANAGEMENT**

**MODULE III**

**ACCOUNTING AND CONTROL**

**3 hours**

**INSTRUCTIONS TO CANDIDATES**

*This paper consists of SEVEN questions.  
Answer any FIVE questions in the answer booklet provided.  
All questions carry equal marks.  
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.**

1. (a) Explain each of the following accounting concepts:

- (i) money measurement concept;
- (ii) going concern concept;
- (iii) dual aspect concept;
- (iv) historical cost concept.

(b) The following information relates to product "K" manufactured by Pengo Limited.

	Ksh
Sales (800 units)	400,000
Total cost	500,000

60% of the total cost are variable.

Determine the:

- (i) variable cost per unit;
- (ii) break even point in units;
- (iii) break even point in shillings.

(12 marks)

2. (a) Explain four errors that do not affect the agreement of a trial balance. (8 marks)

(b) Lapot Limited remunerates its workers on piece rate basis as per the following schedule:

	Units produced	Rate per unit (Ksh)
First	100	40
Next	100	60
Next	150	80
Next	210	90
Above	560	100

During the month of December 2022, Asha and Alice produced 550 and 608 units respectively.

Calculate the gross pay for each worker.

(12 marks)

3. (a) The following transactions relate to Zelax Enterprises for the month of January 2023.

- January 4 Purchased equipment for Ksh 60,000 on credit from Patex Suppliers.
- 10 Wrote off bad debts amounting to Ksh 38,000
- 21 Sold an old furniture for Ksh 19,000 on credit to Jonah.
- 30 Proprietor brought a personal motor vehicle valued Ksh. 900,000 for business use.

Prepare general journal entries to record the transactions above. (8 marks)

(b) Starmax processors manufacturers three products P, Q and R. The following forecasts relate to the products for the month of December 2023.

	P	Q	R
Demand(units)	1000	800	2000
Direct labour hours per unit	4	6	4
Selling price (Ksh)	50	70	52
Variable cost per unit (Ksh)	30	35	28

In the month of December 2023 only 13,000 direct labour hours will be available.

- (i) Calculate the contribution per limiting factor.
- (ii) Rank the products;
- (iii) determine the most appropriate product mix.

(12 marks)

*Every transaction will affect two items in b/s this is rep by both debit and credit entries in the ledger.*

4. (a) Explain **four** functions of a budget in a business organisation. (8 marks)
- (b) The following balances were obtained from the books of account of Omega Enterprises as at 31 December 2022.

	<b>Ksh.</b>
Furniture	406,000
Inventory (1 January 2022)	146,000
Sales	1,129,000
Cash in hand	254,000
Carriage inwards	45,000
Cash at bank	1,131,000
Carriage outwards	43,000
Accounts payable	88,000
Purchases	600,000
Accounts receivable	72,000
Electricity	34,000
Capital	1,514,000

Prepare a trial balance as at 31 December 2022.

(12 marks)

5. (a) Explain **four** causes of ideal time in an organisation. (8 marks)
- (b) Silisia Merchants has provided the following information for the year ended 31 December 2022.

	<b>Ksh.</b>
Sales	1,890,000
Purchases	1,000,000
Returns inwards	38,000
Rent paid	170,000
Returns outwards	26,000
Electricity paid	17,000
Carriage outwards	29,000
Salaries and wages	770,000
Carriage inwards	43,000
Insurance	44,000



Additional information:

As at 31 December 2022:

	<b>Ksh</b>
• Rent outstanding	30,000
• Electricity paid in advance	2,000
• Inventory was valued at Ksh. 10,000	

prepare an income statement for the year ended 31 December 2022.

(12 marks)

6. (a) The following information was extracted from the financial statements of Tix Traders for the year ended 31 December 2022.

	<b>Ksh</b>	
Sales	8,000,000	
Cost of sales	6,250,000	
Gross profit	1,750,000	
Net profit	756,000	
Inventory (1 January 2022)		800,000
Inventory (31 December 2022)		75,000
Non current assets		5,000,000

Calculate the:

- (i) net profit margin;
- (ii) gross profit mark up;
- (iii) rate of stock turnover;
- (iv) return on assets.

(8 marks)

- (b) On 30 September 2022, the cash book (Bank column) of Milele Enterprises showed a debit balance of Ksh. 900,000. The bank statement issued on the same date showed a different balance.

Upon investigations, the following discrepancies were revealed:

- (I) A cheque for Ksh 16,000 had been dishonoured by the bank;
- (II) Bank charges amounted to Ksh 13,400;

- (III) Cheques amounting to Ksh. 42,000 had not been presented to the bank payment.
- (IV) A cheque for Ksh 80,000 had not been credited by the bank;
- (V) Eliud a debtor had paid Ksh. 22,000 directly into the bank account.
- (VI) The bank had received dividends amounting to Ksh. 20,000 on behalf of Milele Enterprises.

Prepare:

- (i) an updated cash book;
- (ii) a bank reconciliation statement.

(12 marks)

7

- (a) Outline **four** features of an ideal cost accounting system. (8 marks)
- (b) The following information relates to Smaxi Traders for the month of February 2023.

2023	Ksh.
February 1	
Sales ledger-debit balance	21,000 Dr
<b>Transactions summary for the month</b>	
• Credit sales	489,000
Bad debts written off	14,000
Cash received from debtors	79,000
Cash refunded to debtors	1,500
Cheques received from debtors	96,000
• Dishonoured cheques	11,000
Returns inwards	3,000
Discounts allowed	7,000

Prepare a sales ledger control account.

(12 marks)

199 000  
521

**THIS IS THE LAST PRINTED PAGE.**