

SECTION A (40 marks)

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

1. The following information relates to Bango Traders for the year ended 2010.

- Rent expenses paid Ksh 370,000;
- Rent accrued by the end of the year Ksh 42,000.

Determine the rent expenses chargeable in the income statement for the year ended December, 2010.

(2 marks)

2. Which accounting principle is applied when a provision for depreciation of a fixed asset is made?

(1 mark)

3. Kinuthia maintains his petty cash on the imprest system. At the end of July, 2010, his petty cash expenditure amounted to Ksh 12,000 and had a balance in hand of Ksh 3,000.

Calculate Kinuthia's reimbursement to restore the imprest.

(1 mark)

4. Mutiso General Suppliers incurred the following expenditure in the month of October, 2010.

- (i) Purchased motor vehicle for Ksh 800,000;
- (ii) Insurance for the motor vehicle Ksh 72,000;
- (iii) Fuel Ksh 58,000;
- (iv) Painting and branding of the van Ksh 62,000.

Classify the above cost as either **capital** expenditure or **revenue** expenditure.

(2 marks)

5. Ngila Traders purchased a machine on 1 January, 2010 for Ksh 120,000. Depreciation is at the rate of 15% p.a., using the reducing balance method. Determine the net book value of the machine as at 31st December, 2010. (2 marks)

6. Explain why each of the following users of accounting information would be interested in the final accounts of a business.

- (i) Bank Manager;
(ii) Employees. (2 marks)

7. The trial balance of Mobogo Enterprises on 30th June, 2011 failed to balance. On investigations, the following errors were discovered.

- (i) Ksh 500 spend on fuel was entered in the cash book only;
(ii) Sales journal was under cast by Ksh 8,000;
(iii) Purchases journal was overcast by Ksh 1,200.

Prepare journal entries to correct the above errors. (3 marks)

8. Explain the meaning of a **debit balance** in the purchases ledger control amount. (1 mark)

9. Determine the capital using the following information.

Assets	=	Ksh 27,000	
Liabilities	=	Ksh 9,000	(2 marks)

10. State the source document in which each of the following amounts is shown.

- (i) trade discount
(ii) returns inwards. (2 marks)

11. Otieno is a sole trader who does not keep full accounting records. All purchases and sales are on credit.

- Debtors' balance on 1st May 2010 was Ksh 4,000.
- During the year ended 30th April, 2011, Otieno recorded the following information:

	Kshs
- Receipts from debtors	93,000
- Credit sales	102,000

Determine debtors' balance as at 30 April, 2011. (3 marks)

12. Distinguish between error of principle and error of commission. (2 marks)

13. Identify the terms used in non-profit making organizations that suit each of the following descriptions:

- (i) Excess of income over expenditure;
(ii) Excess of assets over liabilities. (2 marks)

14. State the book of original entry in which information from the following source documents are recorded:
- (i) received invoice;
 - (ii) issued credit note.
- (2 marks)

15. On 14 March, 2011, Mady, a debtor, settled his account of Ksh 18,000 by cheque. He was allowed a cash discount of 3%. Determine the amount of the cheque as recorded in the cash book of the firm.
- (2 marks)

16. Distinguish between **unpresented** cheques and **uncredited** cheques, as used in bank reconciliation.
- (2 marks)

17. Define the term 'trial balance'.
- (2 marks)

18. The following transactions relate to the business of Malika Traders for the month of June 2011.

- (i) June 4 paid wages in cash Ksh 20,000;
- (ii) June 17 received in cash Ksh 15,000 for rent;
- (iii) June 24 bought goods Ksh 12,000 on credit from Tata Traders.

Prepare Ledger Accounts to record the above transaction.

(3 marks)

19. Explain **two** advantages of using computers in accounting. (2 marks)

20. State the final accounts prepared for sole proprietorship. (2 marks)

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SECTION B (60 marks)

Answer any **FOUR** questions from this section in the spaces provided.

All questions carry equal marks.

21. (a) The following trial balance relating to Makobe Traders was prepared by an incompetent bookkeeper as at 31 May, 2011.

Trial Balance as at 31 May, 2011.

	Dr (Ksh)	Cr (Ksh)
Capital	238,000	
Purchases		623,000
Sales	747,000	
Machinery		347,000
Purchases returns	5,000	
Creditors	10,000	
Debtors	22,000	
Cash in hand		17,000
Cash at bank		23,000
Bank loan	65,000	
Sales returns	6,000	
Stock		12,000
Salaries expense	3,200	
Discount allowed		2,000
Discount received		4,000
Bank overdraft	<u>15,000</u>	<u> </u>
	<u>1,140,000</u>	<u>1,028,000</u>

Prepare a corrected trial balance.

(8 marks)

- (b) The following information relates to trade creditors of Ndubi Enterprises for the month of August, 2011.

	Ksh
August 1 balance b/f	54,000

Summary for the month:

Purchases journal	42,000
Purchases returns journal	6,000
Cheques paid to trade creditors	41,000
Discount received	2,200
August 31, purchases ledger balances	960 (DR)

Prepare purchases ledger control account for the month of August, 2011.

(7 marks)

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23. (a) The trial balance of Ole Traders prepared on 31 March, 2011 failed to agree. The difference of Ksh 7,600 was posted to the credit side of the suspense account. On investigation, the following errors were discovered:

- (i) the sales daybook was undercast by Ksh 20,000;
- (ii) cash purchases of Ksh 2,800 had been entered only in the cash account;
- (iii) purchases on credit from Wanji Traders Ksh 9,200 had been correctly entered in the purchases account but credited to personal account as Ksh 9,600;
- (iv) payment by cheque Ksh 4,600 to Hanja was correctly entered in the cash book but was credited to the personal account.

Prepare journal entries to correct the above errors (narrations not required). Write up the suspense account as it would appear after all the corrections have been made.

(7 marks)

(b) Explain each of the following accounting concepts:

- (i) money measurement concept;
- (ii) matching concept;
- (iii) historical cost concept;
- (iv) business entity concept.

(8 marks)

24. (a) Distinguish between each of the following pairs of terms:

- (i) capital expenditure and revenue expenditure;
- (ii) accrued expenses and prepaid expenses.

(8 marks)

(b) The following information was extracted from the books of Koech Traders as at 31 July, 2011.

	Kshs
Gross profit	620,000
Delivery van	500,000
Discount allowed	30,000
Salary expenses	120,000
Discount received	15,000
Rent income	50,000
Accumulated Depreciation on Delivery van (1 August 2010)	80,000

Additional information:

- Delivery van is depreciated at 10% p.a. on reducing balance;
- Accrued salary amounted to Ksh 23,000;
- Rent income received in advance amounted to Ksh 5,000.

Prepare income statement for the year ended 31 July, 2011.

(7 marks)

25. (a) Define the following terms as used in accounting:

- (i) capital;
- (ii) assets;
- (iii) liabilities.

(6 marks)

(b) The following is the receipts and payments account for Siri Drama club for the year ended 31 August, 2011.

Receipts		Payments	
	Kshs		Kshs
Balance b/d	148,000	Purchases for music shop	28,000
Subscriptions	92,000	Equipment	16,000
Sales from music shop	40,000	Rates and insurance	18,500
		Balance c/d	217,500
	<u>280,000</u>		<u>280,000</u>

Additional information:

At 31 August, 2011:

- - subscriptions in arrears were Ksh 7,800;
- - rates and insurance prepaid amounted to Ksh 1,250;
- Equipment is to be depreciated by Ksh 1,600 for the year.

Prepare the income and expenditure account for the year ended 31 August, 2011.

(9 marks)

26. (a) Onyango keeps an analysed petty cash book using the imprest system. The monthly cash float is reimbursed on the last day of the month. The following payments were made during the month of May, 2011:

Date		Kshs
5th May	Stamps	1,700
9	Fuel	8,000
12	Photocopying paper	9,000
20	Repair of delivery van	10,000
27	Typing paper	5,000

Prepare petty cash book for May, 2011 using the following analysis columns:

- postage;
- delivery van expenses;
- stationery.

(7 marks)

- (b) The following information relates to the business of Njambo Enterprise for the month of July, 2011.

Cashbook (bank column)

Date	Details	Kshs	Date	Details	Kshs
July 1	Bal b/d	364,000	July 10	Rafiki Traders	48,200
17	Sales	95,300	26	Alico Insurance	9,500
23	Bongo Traders	21,500	29	Batongo	41,600
30	Zawadi Limited	11,000	31	Bal c/d	479,900
31	Sales	<u>87,400</u>			
		<u>579,200</u>			<u>579,200</u>

Bank Statement

	Details	Debit Kshs	Credit Kshs	Balance Kshs
July 1	Balance			364,000
15	Rafiki Traders	48,200		315,800
17	Sundry		93,500	409,300
19	Rent (standing order)	10,000		399,300
28	Bongo Traders		21,500	420,800
29	Dividend		2,400	423,200
30	Bank charges	5,000		418,200

It was discovered that Njambo Traders had debited Ksh 95,300 for sales on July 17 instead of Ksh 93,500.

Prepare:

- updated cash book;
- bank reconciliation statement.

(8 marks)