

SECTION A (40 marks)

Answer ALL questions in this section in the spaces provided.

1. List **four** users of accounting information. (2 marks)

2. An amount paid for machinery repairs was debited to machinery account. State the type of error made. (1 mark)

3. List **two** types of cash book. (2 marks)
 - (a) _____
 - (b) _____
4. Mati Limited depreciates its furniture using the straight line method, which is applied from one year to another. State the accounting concept being applied. (1 mark)

5. For each expenditure stated below, indicate whether it is a capital or a revenue expenditure. (2 marks)
 - (i) Repainting of classroom _____
 - (ii) Purchase of stationery _____
 - (iii) Renovation of hostel _____
 - (iv) Payment of electricity _____

(2 marks)

	Ksh.
Capital	100,000
Bank	15,000
Inventory	32,000
Creditors	13,000
Debtors	66,000

Prepare a trial balance as at 31 March, 2013. (3 marks)

[illegible]

- (2 marks)

- (2 marks)

- (3 marks)

15. Explain the meaning of the term 'Control Account'.

(2 marks)

16. On 1 January, 2012, Boza paid Ksh. 44,000 for rent. The rent for the year ended 31 December, 2012 was Ksh. 40,000. Prepare the rent account. (2 marks)

17. The following information relates to Kofi Social Club:

	Ksh.
Bar sales	850,000
Bar inventory: 1 January, 2012	440,000
31 December, 2012	139,000
Bar purchases	650,000

(a) Prepare a bar trading account for the year ended 31 December, 2012.

(b) Advise the manager of the club on the action to take on the performance of the bar.

(3 marks)

18. Charo Enterprises returned goods to Mega Traders. State the journal used to record the above transaction in the books of Mega Traders. (1 mark)

19. Amani intends to buy goods for Ksh. 20,000 from either supplier A or supplier B. Supplier A is offering a 20% trade discount and a 5% cash discount. Supplier B is offering a 25 % cash discount.

- (a) Determine the net amount payable by Amani to each of the suppliers.
- (b) Advise Amani on the supplier to select if he is to pay promptly. (3 marks)

20. Kula does not keep proper books of account. The following information is available for the year ended 31 December, 2012.

		Ksh.
Capital:	1 January, 2012	120,000
Assets:	31 December, 2012	192,000
Liabilities:	31 December, 2012	45,000

- Determine the profit for the year ended 31 December, 2012. (2 marks)

2	Sambo-Creditors	520
3	Taxi	600
4	Tea leaves	160
5	Photocopying papers	1000
5	Milk	150

Prepare a petty cash book with the following analysis columns:

- Stationery;
- Travelling;
- Office tea;
- Ledger.

(9 marks)

- (i) Prepare ledger accounts to record the transactions above.
- (ii) Balance off the bank account.
- (iii) Comment on the bank balance obtained in (ii) above.

(9 marks)

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23. (a) Explain **three** causes of depreciation on non-current assets. (6 marks)

- (b) Tima Traders does not keep proper books of account.
The following information was obtained from the records of the business:

	Ksh.
Receipts from debtors	302,000
Payment to creditors	93,300
Rent paid	15,000
Insurance paid	10,000
Salaries and wages paid	85,000

Assets and Liabilities as at:

	1 January 2012	31 December 2012
	Ksh.	Ksh.
Debtors	59,000	36,000
Creditors	48,000	33,000
Inventory	21,500	11,600
Furniture	52,000	44,000
Insurance prepaid	3,000	4,000

Prepare an income statement for the year ended 31 December, 2012.

(9 marks)

24. (a) On 31 January, 2013, the cash book of Wezo Traders had a bank balance of Ksh. 56,400, while the bank statement balance on the same date was Ksh. 109,400.

The following discrepancies were later revealed:

- Items on the bank statement but not in the cash book;

	Ksh.
Bank charges	550
Direct receipts	8,100
Standing order - Insurance premium	4,800

- Items in the cash book but not on the bank statement:

- Cheques received from: A. Mate - Ksh. 55,000
B. Kazi - Ksh. 11,950
- Cheques paid out to: W. Raha - Ksh. 87,500
Y. Pema - Ksh. 29,700

Prepare:

- (i) an updated cashbook;
- (ii) a bank reconciliation statement, as at 31 January, 2013.

(6 marks)

(b) Kesho Traders had the following bank balances:

	Ksh
Debit balances on 1 January, 2013:	
– Sales ledger	232,000
– Purchases ledger	1,900
Credit balances on 1 January, 2013:	
– Sales ledger	3,100
– Purchases ledger	177,600
Debit balance on 31 January, 2013:	
– Purchases ledger	700
Credit balance on 31 January, 2013:	
– Sales ledger	2,800

Transactions for the month of January, 2013:

	Ksh
Credit purchases	332,000
Credit sales	460,000
Receipts from debtors	314,000
Payment to creditors	289,000
Bad debts written off	4,200
Discounts allowed	16,500
Returns inwards	7,900
Contra entries from purchases ledger to sales ledger	50,000
Discounts received	8,200

Prepare:

- (i) Sales ledger control account;
- (ii) Purchases ledger control account.

(9 marks)

25. (a) Jirani Traders had the following balances as at 1 July, 2013:

	Ksh.
Cash in hand	16,000
Cash at bank	58,000

The following transactions took place during the month of July, 2013.

- July 1 Paid Ksh. 12,000 for rent by cheque;
2 Cash sales amounted to Ksh. 18,000;
4 Purchased goods worth Ksh. 15,000 and paid by cheque;
10 Received a cheque of Ksh. 28,900 from Suhel in settlement of his account;
15 Took Ksh 13,200 from the cash till and deposited it into the bank account;
24 Paid Sela Traders Ksh. 9,000 by cheque;
31 Proprietor withdrew Ksh 5,000 from the cash till for personal use.

Prepare a cash book for the month of July, 2013.

(6 marks)

(b) The following balances were extracted from the books of account of Pita Retailers as at 31 December, 2012:

	Ksh.
Sales	420,000
Telephone	2,700
Motor vehicle	250,000
Returns Inwards	7,000
Returns Outwards	3,800
Carriage Outwards	7,600
Salaries and wages	105,000
Rent received	22,000
Purchases	247,500
Inventory - 1 January, 2012	62,100
Discounts allowed	11,400
Discounts received	2,700
Insurance	13,800

Additional information:

- Inventory as at 31 December 2012 was valued at K.sh. 43,900.
- The motor vehicle is depreciated at 25% per annum.
- On 31 December 2012:
 - outstanding telephone was Ksh 500;
 - prepaid insurance amounted to Ksh. 1,800

- (i) Prepare an income statement for the year ended 31 December, 2012;
- (ii) Advise the proprietor on the action to take on the performance of the firm.

(9 marks)

[illegible]

26. (a) Sosen Retailers had the following transactions during the month of March, 2013.

March 1 Credit sales to Bosi Ksh. 30,000;
5 Credit purchases from Wale Ksh. 14,700;
7 Credit sales to Chama Ksh. 11,500;
12 Goods returned by Bosi Ksh. 2,000;
15 Credit purchases from Laki, Ksh 20,000; less
5% trade discounts;
21 Credit sales to Saba Ksh 41,600;
27 Goods returned to Wale Ksh. 1,200;
31 Goods returned by Saba Ksh. 4,500

Prepare:

- (i) Sales Journal;
- (ii) Purchases Journal;
- (iii) Returns inwards Journal;
- (iv) Returns outwards Journal.

(6 marks)

- (b) The following is the receipts and payments account of Wananchi Social Club for the year ended 31 December, 2012;

	Ksh.		Ksh.
Balance b/d	77,500	Secretary's honorarium	34,000
Subscriptions	140,000	Groundsman's wages	18,000
Sale of tickets for annual dinner	90,000	Games equipment	160,000
Donations	35,000	Printing and stationery	4,500
		Electricity	2,600
		Annual dinner expenses	57,000
		Balance c/d	<u>66,400</u>
	<u>342,500</u>		<u>342,500</u>

Additional information:

- Subscription prepaid on 1 January, 2012 and 31 December, 2012 amounted to Ksh. 15,000 and Ksh 32,000, respectively;
- Outstanding electricity as at 31 December, 2012 was Ksh. 400;
- On 1 January, 2012, the club had premises with a cost of Ksh. 1,500,000;
- Games equipment to be depreciated at 10% per annum;
- Accumulated fund as at 1 January, 2012 was Ksh. 1,562,500.

Prepare:

- income and expenditure account for the year ended 31 December, 2012;
- statement of financial position as at 31 December 2012.

(9 marks)