

Name: _____ Index No: _____

2903/102

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FINANCIAL ACCOUNTING

July 2015

Time: 3 hours

Candidate's Signature: _____

Date: _____



THE KENYA NATIONAL EXAMINATIONS COUNCIL

**DIPLOMA IN SUPPLY CHAIN MANAGEMENT
DIPLOMA IN BUSINESS MANAGEMENT
DIPLOMA IN PROJECT MANAGEMENT
MODULE I**

FINANCIAL ACCOUNTING

3 hours

INSTRUCTIONS TO CANDIDATES

Write your name and index number in the spaces provided above.

Sign and write the date of examination in the spaces provided above.

This paper consists of SEVEN questions.

Answer any FIVE questions in the spaces provided in this question paper.

ALL questions carry equal marks.

Do NOT remove any pages from this question paper.

Candidates should answer the questions in English.

For Examiner's Use Only

Question	1	2	3	4	5	6	7	TOTAL SCORE
Candidate's Score								

This paper consists of 25 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) The following information relates to non-current assets of Kwetu Enterprises as at 1 January, 2013.

Asset	Cost Ksh	Accumulated depreciation Ksh
Land	7,250,000	-
Plant and Equipment	4,200,000	1,800,000
Motor vehicles	2,400,000	1,020,000
Furniture and fixtures	1,500,000	600,000

Additional information:

- (i) Equipment costing Ksh 7,200 was acquired during the year.
- (ii) A motor vehicle bought for Ksh 500,000 in the year 2011 was disposed of for Ksh 300,000, during the year 2013.
- (iii) Land was revalued at Ksh 800,000 during the year
- (iv) Furniture costing Ksh 120,000 is fully depreciated and therefore is no longer in use.
- (v) Depreciation is provided on straight line basis as follows:

-	Plant and equipment	20%
-	Motor vehicles	25%
-	Furniture and Fixtures	10%
- (vi) Depreciation is charged in full in the year of acquisition but none in the year of disposal.

Prepare a non-current assets movement schedule for the year ended 31 December 2013.
(12 marks)

- (b) Kimix Traders operates a petty cash book on the imprest system, with a float of Ksh 45,000 per week. On 3 June 2013, the petty cashier had Ksh 6,500 in hand. Reimbursement is made on the first day of every week.

The following transactions took place in that week:

2013

- June 3 Reimbursement was received from the main cashier.
- 4 Purchased office stationery for Ksh 8,000.
 - 5 Paid cleaners' wages totalling to Ksh 8,600.
 - 6 Bought photocopying papers for Ksh 2,400.
 - 6 Purchased airtime vouchers for Ksh 4,500.
 - 6 Paid Ksh 3,000 for taxi services.
 - 7 Bought cleaning detergents for Ksh 3,450 and postage stamps for Ksh 3,100.
 - 8 Paid Ksh 2,700 for bus fare.

2. (a) Explain the use of each of the following documents:

- (i) Invoice;
- (ii) Payment voucher;
- (iii) Credit note;
- (iv) Cash receipts.

(8 marks)

(b) The following balances relate to Shama Traders for the year ended 31 December, 2013:

	Ksh.
Capital	2,507,750
Motor vehicles at cost	3,250,000
Furniture at cost	950,000
Accounts payable	490,000
Accounts receivable	530,000
Bank	790,000
Inventory	86,000
Insurance	175,000
Salaries and wages	292,000
Electricity	127,000
Provision for depreciation: - Motor vehicles	312,500
- Furniture	118,750
Bad debts	67,000
General expenses	182,000
Gross profit	3,000,000

Additional information:

- Accrued salaries and wages as at 31 December was Ksh 68,000
- Insurance paid in advance as at 31 December 2013 amounted to Ksh 17,600.
- Depreciation is to be provided on the reducing balance basis as follows:

- Motor vehicles	25%
- Furniture	10%

Prepare:

- (i) income statement for the year ended 31 December 2013.
- (ii) statement of financial position as at 31 December 2013.

(12 marks)

3. (a) Explain **five** qualities of a financial statement or accounting information. (10 marks)
- (b) The following is the receipts and payments account of Kamp Sports Club for the year ended 30 June, 2014.

Receipts and Payments account			
	Ksh		Ksh
Balance b/f	365,000	Bar purchases	265,000
Dinner dance receipts	300,000	Barman's wages	120,000
Subscriptions	1,750,000	Stationery	35,000
Receipts from bar	400,000	Salaries and wages	175,000
Donations	120,000	Dinner dance expenses	310,000
		Treasurer's honoraria	75,000
		Electricity	85,000
		Telephone	80,000
		Insurance	95,000
		Equipment	800,000
		Land rates	123,500
		Balance c/d	771,500
	<u>2,935,000</u>		<u>2,935,000</u>

Additional information:

- The opening and closing inventory for the bar was valued at Ksh 117,000 and Ksh 150,000, respectively.
 - As at 30 June 2014:
 - Subscriptions received in advance amounted to Ksh 75,000;
 - Subscriptions in arrears amounted to Ksh 128,000;
 - Salaries and wages in arrears amounted to Ksh 18,000.
 - Depreciation on equipment is provided at 10 per cent per annum on cost.
- (i) Prepare an income and expenditure account for the year ended 30 June 2014.
- (ii) Advise the management on the action to take on the annual dinner dance. (10 marks)

5. (a) The trial balance of Saku Traders prepared on 30 April 2013 did not agree. The credit side exceeded the debit side by Ksh 56,000. On investigation, the following errors were revealed:
- (i) Discounts allowed totalling to Ksh 15,000 had been credited to the discounts received account.
 - (ii) Sales day book had been undercast by Ksh 12,450.
 - (iii) Salaries paid of Ksh 65,000 had been recorded in the salaries account as Ksh 56,000.
 - (iv) Payment for electricity of Ksh 19,200 had been recorded in the cash book only.
 - (v) A credit sale to John amounting to Ksh 12,400 had been correctly posted to his account but posted to the wrong side of the sales account.
 - (vi) A returns inwards of Ksh 7,600 was recorded as returns outwards.
 - (vii) Purchases were undercast by Ksh 19,850.

Prepare a suspense account.

(10 marks)

- (b) Mapema Enterprise had cash in hand of Ksh 35,700 and a bank overdraft of Ksh 25,500 on 1 June, 2013.

The following transactions took place during the month of June, 2013

- June 2 Sold goods for Ksh 80,500 in cash.
 3 Deposited Ksh 70,000 of the office cash into the bank account.
 5 Paid rent of Ksh 33,500 by cheque.
 8 The customers settled their accounts by cheque, after deducting a 5% cash discount, as follows:
- | | |
|----------|------------|
| - Maseke | Ksh 58,200 |
| - James | Ksh 34,200 |
- 10 Bought goods on credit for Ksh. 56,000 from Jijo suppliers.
 21 Withdrew Ksh 45,000 from the bank for office use.
 24 Settled the account of Jijo supplier by cheque and received a cash discount of 5%.
 26 Withdrew Ksh 24,000 from the bank for personal use.
 30 Paid wages of Ksh 26,000 in cash.

- (i) Prepare a three column cash book for the month of June 2013.
- (ii) Advise the management on the action to take on the closing balances.

(10 marks)

6. (a) The following information relates to the accounts receivable of Necter Enterprises for the month of April 2013:

	Ksh
Balance as at 31 March 2013	125,000
Total credit sales	825,000
Receipts from debtors	475,000
Interest charged to credit customers on overdue debts	75,600
Discounts allowed	92,000
Bad debts written off	60,000
Returns inwards	58,125
Dishonoured cheques	26,000
Purchases ledger balances set off against sales ledger balances	17,250

Prepare a sales ledger control account for the month of April 2013. (10 marks)

- (b) The cash book (bank column) of Soko Traders on 31 May, 2013 had a debit balance of Ksh. 78, 250 while the bank statement showed a credit balance of Ksh 74,500.

The following information revealed the causes of the differences:

- A cheque for Ksh 14,900 was dishonoured.
- Direct deposits by customers amounted to Ksh 12,500
- A standing order of Ksh 8,500 was honoured by the bank.
- The bank made a credit error entry of Ksh 7,500 into the account of Soko Traders.
- Opening balance in the cash book was undercast by Ksh 6,200.
- Cheques amounting to Ksh 112,400 recorded in the cash book had not yet been credited by the bank.
- Payments in form of cheques to suppliers amounting to Ksh 105,850 had not been presented to the bank for payment.

Prepare:

- (i) an updated cash book.
- (ii) a bank reconciliation statement as at 31 May 2013. (10 marks)

