

2405/305  
ELEMENTS OF ACCOUNTS  
Oct./Nov. 2018  
Time: 3 Hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL

DIPLOMA IN APPLIED STATISTICS

ELEMENTS OF ACCOUNTS

3 hours

**INSTRUCTIONS TO CANDIDATES**

*You should have the following for this examination:*

*Answer booklet;*

*Scientific calculator/ Mathematical tables.*

*This paper consists of SIX questions.*

*Answer any FIVE questions.*

*All questions carry equal marks.*

*Maximum marks for each part of a question are indicated.*

*Candidates should answer the questions in English.*

**This paper consists of 11 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) Ann and Ben are in partnership in a business sharing profit and loss in the ratio of 3:2 respectively.  
The following information relates to the partnership.

Financial statement as at 31<sup>st</sup> December 2016

	Kshs		Kshs
Capital: Ann ✓	180,000	Inventory ✓	70,000
Ben ✓	220,000	Accounts receivable ✓	50,000
Accounts payable ✓	40,000	Equipment ✓	140,000
		Furniture ✓	100,000
		Cash	<u>80,000</u>
	<u>440,000</u>		<u>440,000</u>

**Additional information**

On 1<sup>st</sup> January 2016 Charles was admitted as a partner on the following terms:

- Assets to be valued as follows:
 

Inventory	Kshs	66,000 ✓
Accounts receivable	Kshs	42,000 ✓
Equipment	Kshs	160,000 ✓
Furniture	Kshs	96,000 ✓
- Charles to contribute Kshs 150,000 as capital.
- Goodwill of Kshs 60,000 to be created but not maintained in the books.
- Profit and loss to be shared between Ann, Ben and Charles in the ratio of 3:4:3 respectively.

Prepare:

- (i) revaluation account;
- (ii) partner's capital account;
- (iii) statement of financial position after admission of Charles.

(12 marks)

- (b) Explain four advantages of using computerised accounting system in an organization.

(8 marks)



80  
11/21/16  
10/20/16  
10/6  
50

364  
600

2. (a) Pambasuko Enterprise Limited has two departments Y and Z. The following information relates to the firm for the year 2015.

✓ Sales:	Department Y	1,500,000
	Department Z	2,500,000
✓ Purchases:	Department Y	900,000
	Department Z	1,100,000
✓ Inventory (1 <sup>st</sup> January)	Department Y	30,000
	Department Z	46,000
Rent		54,000
Salaries		48,000
✓ Insurance		18,000
Repairs		28,000
General expenses		72,000

Additional/information:

- As at 31<sup>st</sup> December 2015, inventory was valued at Kshs 22,000 for department Y and Kshs 51,000 for department Z;
- Insurance owings, Kshs 4,000;
- Salaries are to be apportioned to departments equally;
- All other expenses to be apportioned between the departments in the ratio of 3:2 for departments Y and Z respectively.

Prepare a departmental income statement for the year ended 31<sup>st</sup> December 2015.

(10 marks)

- (b) The following statement relates to Sabaku Traders for the month of May 2013.

(CASH BOOK)

(BANK COLUMN)

Date	Details	Cheque No.	Amount	Date	Details	Cheque No.	Amount
			Shs				Shs
2013				2013			
May				May			
1	Balance b/f		14,300	2	Mbote Ltd	9045	11,000
7	Safi ✓	3940	27,000	9	Chao ✓	9046	7,400
22	Njema ✓	7690	45,000	20	Kaka ✓	9047	9,100
29	Keli ✓	2579	7,600	31	Dora Ltd	9048	13,500
				31	BCD		22,900
			63,900				63,900

### Bank Statement

Date	Details	Cheque No.	Debit	Credit	
		No.	Shs	Shs	Shs
1/5/13	Balance c/f				14,300
4/5/13	Mbote Ltd ✓	9045	11,000		3,300
8/5/13	Safi ✓	3940		27,000	30,300
10/5/13	Standing order ✗		4,000		26,300
13/5/13	Dividends ✗			5,200	31,500
20/5/13	Chao ✓	9046	7,400		24,100
22/5/13	Cheque ✓	7690		15,000	39,100
31/5/13	Ledger fee ✓		900		38,200

Prepare:

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

(10 marks)

3. (a) The following trial balance relates to Wamani Limited as at 31<sup>st</sup> December 2014

	Dr.	Cr.
	Kshs	Kshs
Gross profit		1,000,000
Issued share capital		
Ordinary shares		2,000,000
8% preference shares		1,000,000
Share premium		120,000
Motor vehicles ✓	1,875,000	
Furniture ✓	489,700	
Provision for depreciation		
Motor vehicles		80,000
Furniture		160,000
Premises ✓	1,800,000	
Creditors		432,020
Debtors	484,600	
Rent	48,000	
Bad debts	12,400	
8% debentures		600,000
Profit and loss 1/1/2014		283,400
Directors salary	96,200	
Auditors fee	50,000	
Cash at bank	819,520	
	<u>5,675,420</u>	<u>5,675,420</u>

4. (a) The following balances were extracted from the books of Rilta Limited on 1<sup>st</sup> January 2012.

Purchase of raw materials <sup>RM</sup>	350,000
Stock of raw materials <sup>RM</sup>	
Opening stock	75,000
Closing stock	65,500
Carriage of raw materials <sup>RM</sup>	45,400
Factory wages <sup>RM</sup>	64,800
Maintenance <sup>RM</sup>	12,000
Supervisor's salary <sup>RM</sup>	24,500
Wages of factory managers <sup>RM</sup>	48,000
Depreciation on plant <sup>RM</sup>	62,000
Work in progress	
Opening	50,000
Closing	72,000

Additional information:

- factory wages due Shs 5,200;
- supervisors salary is to be apportioned between factory and administration in the ratio of 2:3 respectively.
- goods manufactured are to be transferred to productions at a profit of 20%.

Prepare a manufacturing statement for the year ended 31st January 2012. (10 marks)

- (b) The following transactions relates to TamuTamu Traders for the month of November 2016.

- Nov. 1: Bought goods for Shs 30,000 from Kahanjam on credit ✓  
 3: Bought goods for Shs 80,000 from Makunga on credit ✓  
 5: Returned goods to Kahanjam worth Shs 5,000 ✓  
 8: Paid Kahanjam on account less 10% cash discount ✓  
 12: Bought goods for Shs 70,000 from Kato on credit ✓  
 15: Sold goods to Tila for Shs 100,000 on credit ✓  
 18: Returned goods worth Shs 8,000 to Kato ✓  
 22: Tila returned goods worth Shs 9,000 ✓  
 30: Sold goods for Shs 20,000 to Marimba on credit ✓

Enter the transactions into the following books:

- (i) purchase journal;
- (ii) sales journal;
- (iii) returns inward journal;
- (iv) returns outward journal.



(10 marks)

- (a) The following information was extracted from the books of Meta Limited as at 31<sup>st</sup> April 2010.

**Meta Limited**  
**Trading Profit and Loss account for the year**  
**ended 30<sup>th</sup> April 2010**

	Shs	Shs
Sales		67000
Opening stock	3000	
Add purchases	42600	
	45600	
Less closing stock	<u>5500</u>	
	40100	
Gross profit	<u>26900</u>	
	67000	
Less expenses		
Wages	5200	
Lighting expenses	1900	
Rent	2400	
General expenses	700	
Carriage outwards	1100	
Net profit	15600	<u>26900</u>



**Meta Limited**  
**Balance Sheet as at 30<sup>th</sup> April 2010**

	Shs	Shs
Fixed assets	20,000	
Fixtures and fittings	<u>7,500</u>	
		27,500
Current assets		
Stock	5,500	
Debtors	12,000	
Bank	1,200	
Cash	400	
		19,100
Less current liabilities		
Creditors		<u>9,000</u>
		<u>10,100</u>
Financed by		
Capital		20,000
Add net profit		<u>15,600</u>
		35,600
Less drawings		<u>9,000</u>
		26,600
Add loan		<u>11,000</u>
		<u>37,600</u>

Calculate the:

- (i) Current Ratio;
- (ii) Net Profit Ratio;
- (iii) Stock Turnover Ratio;
- (iv) Return on Owner Equity;
- (v) Assets Turnover Ratio.

(10 marks)

(b) The following estimates were obtained from Zala Retailers for three months of 2014.

Month	Sales	Purchases	Salaries	Office expenses
	Shs	Shs	Shs	Shs
October	70,000	24,000	9,000	1,000
November	76,000	17,000	12,000	2,000
December	100,000	32,000	13,000	3,000

Additional information:

- Half of the sales are in cash and the balance is settled in the following month.
- Supplies are paid in the month following the month of purchase.
- Rent is Kshs 10,000 per month and is payable on monthly basis.
- A computer was purchased on November 2014 for Kshs 80,000 with down payment of Kshs 40,000 in the same month and the balance paid one month later.
- The proprietor withdrew Kshs 12,000 each month for personal use.
- Salaries were to be paid at the end of every month (monthly basis).
- Office expenses are to be paid at the end of every month.
- A loan of Kshs 30,000 was to be paid in December 2014.
- Furnitures will be sold for Kshs 36,000 in November 2014 in cash.
- The cash balance on 1<sup>st</sup> November 2014 was expected to be Kshs 11,000.

- (i) Prepare a cash budget for each of the months of November and December 2014.
- (ii) Advise the management on the action to take on the cash position reflected in the budget.

(10 marks)





6. (a) The following trial balance was extracted from the books of Zel Traders as at 31<sup>st</sup> December 2011.

	Dr.	Cr.
	Kshs	Kshs
Capital		500,000
Premises	400,000	
Motor vehicle at cost	240,000	
Sales		545,000
Salaries and wages	198,000	
Purchases	236,000	
Insurance	20,000	
Electricity	7,000	
Drawings	120,000	
Accounts receivable	73,000	
Accounts payable		57,000
Loan from bank		200,000
Cash at bank	8,000	
	<u>1,302,000</u>	<u>1,302,000</u>

Additional information:

- On 31<sup>st</sup> December 2011:
  - Inventory was valued at Kshs 42,000
  - Prepaid insurance was Kshs 4,000
  - Electricity of Kshs 2,000 was outstanding
- Motor vehicles are to depreciate at 20% p.a. on cost.

Prepare:

- (i) an income statement for the year ended 31<sup>st</sup> December 2011;
- (ii) a statement of financial position at the same date.

(12 marks)

(b) On 31<sup>st</sup> December 2015, the suspense account of Meli Traders had a debt balance of Kshs 659,420. On further investigations the following discrepancies were received:

1. Payment of Ksh 175,000 to John was debited to Joy account.
2. Sales journal had been undercasted by Kshs 248,000.
3. A cheque for Kshs 520,000 received had been recorded as Kshs 250,000.
4. A provision for depreciation of Kshs 35,780 had not been recorded in the provision account.
5. A bank loan of Kshs 450,000 received had not been recorded in the cash book.

Prepare:

- (i) journal entries to correct the above errors;
- (ii) suspense account duly balanced.

(8 marks)



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