

1902/203
1908/203
BOOKKEEPING AND ACCOUNTS
July 2016
Time: 3 hours



THE KENYA NATIONAL EXAMINATIONS COUNCIL
CRAFT CERTIFICATE IN SALES AND MARKETING
CRAFT CERTIFICATE IN HUMAN RESOURCE MANAGEMENT

BOOKKEEPING AND ACCOUNTS

3 hours

INSTRUCTIONS TO CANDIDATES

*This paper consists of TWO sections; A and B.
Answer ALL questions in both sections in the answer booklet provided.
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.**

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SECTION A (40 marks)

Answer ALL questions in this section.

1. Mwanzo Wholesalers had an initial capital of Ksh. 1,500,000 on 1st July, 2015. The following balances relate to the business as at 30 June.

	2014	2015
	Ksh	Ksh
Non current assets	500,000	450,000
Current assets	1,800,000	200,000
Current liabilities	300,000	500,000
Long term liabilities	-	900,000

- (i) Calculate the profit for the two years.
- (ii) Advise Mwanzo Wholesalers on the year with a better financial performance. (3 marks)

2. The following assets and liabilities relate to Mwaura's business as at 1 January 2016.

	Ksh.
Plant and machinery	150,000
Fixtures and fittings	100,000
Accounts receivable	50,000
Accounts payable	100,000
Cash at bank	20,000
Cash in hand	10,000

- (i) Record the above information in the General Journal.
- (ii) Determine the amount of capital as at 1 January 2016. (5 marks)

3. State **three** advantages of time rate method of labour remuneration to the employer. (3 marks)

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4. The following were the assets and liabilities of John Mue, a furniture dealer, as at 31 December 2015.

	Ksh
Capital	300,000
Cash at bank	175,000
Premises	110,000
Furniture	35,000
Net profit	20,000

Prepare a statement of financial position as at 31 December, 2015. (5 marks)

5. State **three** uses of cost accounting. (3 marks)

6. State whether the following transactions are of capital expenditure or revenue expenditure.

- (i) Purchase of motor van
- (ii) Repairs to motor vehicle
- (iii) Purchase of freehold land
- (iv) Payment of rent
- (v) Payment for renovation of business premises
- (vi) Payment for installation costs of machinery

(3 marks)

7. State **three** reasons for preparing bank reconciliation statements. (3 marks)

8. The petty cashier of Wape Traders has an authorised cash float of Ksh. 500,00 for a week, with reimbursements done on every Monday. In the first week of operation, he made payments totalling Ksh. 35,500 and received Ksh. 40,000 from a debtor on the last day of the week, when the cashier was away.

Advise the main cashier on the action to take.

(5 marks)

9. State the account to be debited or credited from the following transactions.

- (i) Purchased goods for Ksh. 10,000 by cheque
- (ii) Joseph, a debtor paid his account by cheque Ksh. 50,000
- (iii) Sold goods for Ksh. 60,000 in cash
- (iv) Paid Mary, a creditor Ksh. 15,000 by cheque
- (v) Sold goods to Njuguna for Ksh. 18,000 on credit

(5 marks)

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10. John Traders capital balances at the beginning and end of financial year, are as shown below:

1st January 2015	Capital account	Ksh. 200,000
31st December 2015	Capital account	Ksh. 300,000

His drawings for the year amounted to Ksh. 80,000.

Determine the profit for the year.

(5 marks)

SECTION B (60 marks)

Answer ALL questions in this section.

11. (a) Hay Enterprises has received a bank statement for the year ended 30th October 2015 showing a balance of Ksh. 447,100 whereas the cash book showed a balance of Ksh. 473,300 on the same date. On examination the following discrepancies were revealed:

- (i) Bank charges of Ksh. 600 had not been entered
- (ii) Cheques drawn by Hay Enterprises totalling Ksh. 4,500 had not yet been presented to the bank
- (iii) Hay Enterprises had not entered receipts of Ksh. 5,300 in the cash book
- (iv) The bank had not credited Hay Enterprises with receipts of the Ksh. 19,700 paid into the bank on 31 October 2015
- (v) Standing order payments amounting to Ksh. 12,400 had not been entered in the cash book.
- (vi) A cheque received for Ksh. 3,000 from a debtor had been returned by the bank marked 'refer to drawer', but this return had not been recorded in the cash book.

Prepare:

- (I) an adjusted cash book as at 31 October 2015.
- (II) a bank reconciliation statement.

(9 marks)

(b) Explain **three** purposes of control accounts.

(6 marks)

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12. The following trial balance was extracted from the books of Brian traders as at 31st December 2015.

	DR. Ksh.	CR. Ksh.
Capital		1,832,960
Purchases	461,800	
Sales		984,080
Purchases returns		2,800
Sales returns	8,080	
Discount allowed	9,100	
Discount received		7,040
Wages and salaries	311,000	
Rates	24,500	
Insurance	17,800	
General expenses	40,600	
Trade receivable	184,000	
Trade payables		161,200
Balance of bank	40,200	
Inventory 1 January, 2015	61,000	
Land and building	850,000	
Plant and machinery	615,000	
Motor vehicles	281,000	
Drawings	<u>84,000</u>	
	<u>2,988,080</u>	<u>2,988,080</u>

Additional information:

As at 31 December 2015:

- (i) Inventory amounted to Ksh. 74,200
- (ii) Rates paid in advance amounted to Ksh. 3,500
- (iii) Wages and salaries unpaid amounted to Ksh. 1,240
- (iv) Depreciation:

- Land and building	Ksh. 50,000
- Plant and machinery	Ksh. 115,000
- Motor vehicles	Ksh. 81,000

Prepare:

- (a) an income statement for the year ended 31 December 2015. (9 marks)
- (b) a statement of financial position as at 31 December 2015. (6 marks)

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13. (a) Josephat, an employee of Metal Works Ltd, made 960 units of product A in the month of May 2016. Time allowed per unit was 10 minutes. Time taken to produce 960 units was 100 hours. His wage rate per hour was Ksh. 60.

Calculate his total wages using Halsey scheme method of wage payment.

(9 marks)

- (b) In the month of June 2015, Juma Traders bought goods on credit and received the following invoices.

No. 421 from Upesi Wholesalers for Ksh. 43,000 on 11 June

No. 1012 from Hakati Traders for Ksh. 14,000 on 12 June

No. 3627 from Shauri Textiles for Ksh. 8,000 on 14 June

On 15th June 2015, Juma Traders in turn issued the following invoices to their debtors:

No. 370 Mambo Stores Ksh. 40,000

No. 371 Kiro Traders Ksh. 15,000

No. 372 Uma Retailers Ksh. 11,000

Prepare:

- (i) sales journal
(ii) purchases journal.

(6 marks)

14. (a) The emerging trend in Accounting is the use of computers. Although computer usage has many advantages, it also has some disadvantages. Explain **four** disadvantages of using computers in Accounting. (6 marks)

- (b) (i) Explain the term Electronic Cash Register (ETR).
(ii) Explain **four** merits of using an Electronic Cash Register.

(9 marks)

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