

1. (a) A human resource trainee of Matunda Enterprises extracted the following trial balance from the records of the business as at 31 May 2013:

| | Dr Ksh | Cr Ksh |
|--|-------------------|-------------------|
| Accounts receivable | | 840,000 |
| Drawings | 40,000 | |
| Inventory (1 June 2012) | | 560,000 |
| Accounts payable | | 1,000,000 |
| Capital | 4,158,000 | |
| Sales returns | | 185,000 |
| Purchases | | 8,000,000 |
| Motor vehicles (cost) | | 11,750,000 |
| Suspense | 1,674,000 | |
| Bank overdraft | 3,300,000 | |
| Cash in hand | 179,000 | |
| Provision for depreciation on motor vehicles | | 56,000 |
| Sales | 13,000,000 | |
| Returns outwards | 40,000 | |
| | <u>22,391,000</u> | <u>22,391,000</u> |

Prepare a correct trial balance as at 31 May 2013.

(10 marks)

- (b) The following are the statements of financial position of Josket Traders as at 31 December 2012 and 2013.

| | 2012 | | 2013 | |
|---------------------|----------------|-----------|------------------|-----------|
| | Ksh | Ksh | Ksh | Ksh |
| Non-current assets: | | 1,700,000 | | 1,730,000 |
| Current assets: | | | | |
| Inventory | 320,000 | | 375,000 | |
| Accounts receivable | 468,500 | | 532,000 | |
| Cash and bank | <u>800,200</u> | 1,588,700 | <u>1,040,000</u> | 1,947,000 |

3. (a) Explain **four** causes of depreciation on non-current assets. (8 marks)
- (b) Diamond Limited manufactures three products P₁, P₂ and P₃ using two types of raw materials; M₁ and M₂. The following are the estimates for the month of January 2014:

| | Product | | |
|---------------|----------------|----------------|----------------|
| | P ₁ | P ₂ | P ₃ |
| Sales (units) | 3,800 | 4,000 | 3,950 |

Standard material requirements:

| | Material | |
|------------------------------|----------------------|----------------------|
| | M ₁ Kg | M ₂ Kg |
| P1 | 4 | 8 |
| P2 | 10 | 7 |
| P3 | 16 | 12 |
| Standard material cost (Ksh) | 50 | 60 |

Inventories:

| | P ₁ (units) | P ₂ (units) | P ₃ (units) | M ₁ (kg) | M ₂ (kg) |
|-----------------|---------------------------|---------------------------|---------------------------|------------------------|------------------------|
| 1 January 2014 | 750 | 600 | 240 | 550 | 450 |
| 31 January 2014 | 500 | 900 | 610 | 800 | 660 |

Prepare:

- (i) production budget in units;
- (ii) material usage budget in kg;
- (iii) material purchases budget in kg and in value (Ksh). (12 marks)

4. (a) The following information relates to Kani Limited for the month of August 2013.

Balances as at 1 August 2013:

| | Ksh |
|----------------------|------------|
| Cash in hand | 130,000 |
| Cash at bank | 410,000 |
| Accounts receivable: | |
| Koech | 30,000 |
| Karanu | 15,000 |
| Accounts payable: | |
| Akinyi | 20,000 |
| Masha | 8,000 |

The following transactions took place during the month:

- August 3 Paid for office expenses Ksh 13,500 in cash.
 4 Koech settled his account in full by cheque after deducting a 5% cash discount.
 8 Paid Akinyi Ksh 20,000 in cash.
 12 Paid for rent Ksh 16,000 by cheque.
 18 Settled Masha's account, in full by cheque after deducting a 2% cash discount.
 24 Purchased furniture for Ksh 40,500 and paid by cheque.
 29 Karanu settled his account in cash after deducting a 5% cash discount.
 30 Took Ksh 25,000 from the cash till and deposited it into the bank account.
 31 Sold some equipment for Ksh 8,000 and received a cheque.

Prepare a three column cash book for the month. (11 marks)

- (b) Remi Manufacturers operates 8 hours a day in a 5-day week. The normal rate of pay is Ksh 90 per hour. Hours worked in excess of normal time are treated as overtime and paid for as follows:

Weekdays - one and a third normal rate;
 Saturday - one and half normal rate;
 Sunday - double normal rate.

During the third week of June 2013, Gwako worked for 56 hours. This included overtime hours as follows:

7 hours on weekdays;
 4 hours on Saturday;
 5 hours on Sunday.

Determine Gwako's gross earnings for the week. (9 marks)

5. (a) Explain **four** characteristics of a good cost accounting system. (8 marks)
- (b) The following balances were obtained from the books of account for Waka Enterprises as at 31 December 2013:

| | Ksh |
|----------------------------|------------|
| Sales | 3,600,000 |
| Purchases | 3,122,000 |
| Salaries and wages | 1,480,000 |
| Motor vehicles | 1,200,000 |
| Rent | 470,000 |
| Inventory (1 January 2013) | 118,000 |
| Motor vehicle expenses | 182,000 |
| Carriage inwards | 68,000 |
| Furniture and fittings | 170,000 |
| Returns outwards | 36,000 |
| Carriage outwards | 42,000 |
| Discounts received | 30,000 |

Additional information:

On 31 December 2013;

- salaries and wages owing were Ksh 265,000;
- rent paid in advance was Ksh 125,000;
- inventory was valued at Ksh 96,000.

Depreciation on non-current assets is charged as follows;

- motor vehicles - 25% per annum;
- furniture and fittings - 12.5% per annum.

- (i) Prepare an income statement for the year ended 31 December 2013;
- (ii) Advise the management on the **two** possible actions to take based on the performance of the business. (12 marks)

6. (a) The following transactions relate to Fanaka Traders for the month of July 2013.

2013

- July 1 Bought goods on credit from Juma for Ksh 40,000, Invoice No 022.
- 6 Sold goods on credit to Kala for Ksh 62,000, Invoice No 006.
- 7 Sold goods on credit to Zawadi for Ksh 14,000, Invoice No 009.
- 10 Bought goods on credit from Pamela for Ksh 125,000, Invoice No 004.
- 15 Kala returned goods worth Ksh 3,500, Note No 015.
- 22 Returned goods to Pamela worth Ksh 2,000, Note No 005.
- 23 Sold goods on credit to Musa for Ksh 150,000 and allowed him a trade discount of 10%, Invoice No 007.
- 27 Bought goods on credit from Kuria for Ksh 100,000 before receiving a trade discount of Ksh 4,000, Invoice No 032.
- 31 Returned goods worth Ksh 1,800 to Kuria, Note No 010.

Prepare a:

- (i) purchases journal;
- (ii) sales journal;
- (iii) returns inwards journal;
- (iv) returns outwards journal. (11 marks)

(b) The following information was extracted from the records of Rusaq Traders for the month of April 2013:

Balances on 1 April 2013:

| | Ksh |
|---------------------------|------------|
| Sales ledger - debit | 395,000 |
| - credit | 260,000 |
| Purchases ledger - credit | 210,000 |

Transactions during the month:

| | |
|--|---------|
| Credit sales | 800,000 |
| Bad debts written off | 16,300 |
| Cash received from debtors | 415,000 |
| Discounts allowed | 22,100 |
| Cheques received from debtors | 340,000 |
| Returns inwards | 15,000 |
| Cash refunded to a customer for overpaid account | 27,400 |
| Dishonoured cheques | 22,300 |

7. (a) The following is the cash book and bank statement of Heri Limited for the month of January 2013:

| Cash Book | | | | | |
|-----------|-------------|----------------|-----------|-------------|----------------|
| 2013 | | Ksh | 2013 | | Ksh |
| January 1 | Balance b/f | 500,000 | January 8 | W Sarah | 24,000 |
| 18 | P Saulo | 42,000 | 14 | T Charo | 31,500 |
| 27 | S Mutwol | 280,000 | 28 | H Thuo | 20,000 |
| | | <u>822,000</u> | 31 | Balance c/f | <u>746,500</u> |
| | | | | | <u>822,000</u> |

| Bank Statement | | | | |
|----------------|----------------|-----------|-----------|----------------|
| 2013 | | Dr Ksh | Cr Ksh | Balance Ksh |
| January 1 | Balance b/f | | | 500,000 |
| 14 | W Sarah | 24,000 | | 476,000 |
| 21 | P Saulo | | 42,000 | 518,000 |
| 22 | T Charo | 31,500 | | 486,500 |
| 26 | Direct deposit | | 50,000 | 536,500 |
| 29 | Bank charges | 14,500 | | 522,000 |
| 31 | Standing order | 17,800 | | 504,200 |

Prepare:

- (i) an updated cash book;
 - (ii) a bank reconciliation statement. (9 marks)
- (b) Namu Traders operates a petty cash book on the imprest system with a monthly cash float of Ksh 150,000. The amount spent is reimbursed at the end of the month. The following are payments made by the petty cashier during the month of May 2013:

| 2013 | |
|-------|---|
| May 4 | Sugar Ksh 460. |
| 6 | Calling cards Ksh 150, Otieno a creditor Ksh 1,200. |
| 10 | Milk Ksh 390, foolscaps Ksh 720. |
| 11 | Envelopes Ksh 220. |
| 12 | Jana, a creditor Ksh 2,800. |
| 15 | Tea leaves Ksh 130. |
| 18 | Printing papers Ksh 500, telegram Ksh 600. |
| 20 | Fax Ksh 810. |
| 24 | Exercise books Ksh 3,200. |

Prepare a petty cash book for the month of May 2013, using the following analysis columns:

(i) staff welfare;

(ii) stationery;

(iii) telephone;

(iv) ledger.

(11 marks)
