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2908/304
ACCOUNTING AND CONTROL
 July 2015
 Time: 3 hours

Candidate's Signature _____

Date _____



THE KENYA NATIONAL EXAMINATIONS COUNCIL
DIPLOMA IN HUMAN RESOURCE MANAGEMENT
MODULE III

ACCOUNTING AND CONTROL

3 hours

INSTRUCTIONS TO CANDIDATES

- Write your name and index number in the spaces provided above.*
- Sign and write the date of the 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.*
- Show all your working.*
- Do NOT remove any pages from this booklet.*
- Candidates should answer the questions in English.*

For Examiner's Use Only

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

This paper consists of 29 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) Kalkuta Traders started a business on 1 July 2014 with a capital of Ksh 200,000 in cash and Ksh 800,000 in the business bank account. Transactions during the 1st week of the month were as follows:

July 2014

2. Bought furniture worth Ksh 50,000 and paid in cash.
3. Bought goods worth Ksh 180,00- and paid by cheque.
4. Paid Ksh 3,700 in cash for electricity and Ksh 25,700 for rent by cheque.
5. Sold goods on credit to: Njoro Ksh 55,000 and Ksh 32,000 to Wasike.
6. Cash sales amounted to Ksh 72,400.
6. Njoro returned goods worth Ksh 6,500.
6. Purchased goods worth Ksh 210,000 from Naomi on credit
6. Returned goods Ksh 16,000 to Naomi.

Record the above transactions in the relevant ledger accounts. (12 marks)

- (b) The trial balance of Mapato Enterprises did not balance on 31 May 2015, the debit column exceeded the credit column by Ksh 35,000. A suspense account was opened and this difference posted. Subsequently the following errors were revealed:

- (i) Debtors account had been undercast by Ksh 5,000
- (ii) Credit purchases from John worth Ksh 7,000 had been entered in the wrong side of his personal account.
- (iii) Purchases of Ksh 2,500 had been treated as sales.
- (iv) Credit sales of Ksh 8,000 to Rita traders had been completely omitted from the books of account.
- (v) Returns inwards worth Ksh 450 were wrongly entered in the purchases account.

Prepare:

- I Journal entries to correct the above errors.
- II The suspense account (8 marks)

2. (a) Explain each of the following accounting principles:

- (i) Principle of regularity
- (ii) Principle of periodicity
- (iii) Principle of full disclosure
- (iv) Principle of non-compensation

(8 marks)

(b) The following balances were extracted from the books of accounts of Chanzo Enterprises as at 31 December 2014.

	Ksh
Sales returns	20,050
Inventory (1 January 2014)	65,400
Purchase	998,000
Carriage Inwards	2,500
Sales	1,560,050
Rent payable	120,000
Insurance	75,600
Discount Received	1,660
Salaries and wages	134,000
Office expenses	26,000
Electricity and water	30,900
Carriage outwards	15,800
Commission received	4,850
Rent Received	13,300
Bad debts	4,670
Depreciation:	
- Plant and Machinery	64,000
-Motor vehicles	8,810
-Furniture and fittings	3,750
Returns outwards	46,600
Inventory (31 December, 2014)	18,300

Prepare the income statement for the year ended 31 December 2014.

(12 marks)

3. (a) Explain **four** purposes of control accounts in a business organisation. (8 marks)

(b) The following information was obtained from the records of Madofu Traders on 31 December 2014.

Year 2012: Bought two motor vehicles at Ksh 2,000,000 each.

Year 2013: Bought additional two motor vehicles at Ksh 2,500,000 each.

Year 2014: Sold one of the motor vehicles which had been bought in the year 2012 for Ksh 1,500,000.

Depreciation on the motor vehicles is provided at the rate of 15% per annum on the reducing balance basis. A full year's depreciation is provided in the year of acquisition but none in the year of disposal.

For the year's ended 2012, 2013 and 2014,

Prepare a:

(i) Motor vehicles account

(ii) Provision for depreciation on motor vehicles account.

(iii) Motor vehicle Disposal account.

(12 marks)

4. (a) The following is the cash book (bank column) and a bank statement of Kakasi Traders for the month of October 2014.

Cash book (Bank Column)

Date	Details	Amount	Date	Details	Amount
2014		Ksh	2013		Ksh
Oct 1	Balance b/d	85,000	Oct 8	Sue	80,000
4	Komo	268,000	15	Kazi	36,000
5	Ali	43,000	28	Tazo	75,000
8	Walia	125,000			
15	Kasi	67,500	31	Balance c/d	409,800
18	Badi	<u>12,300</u>			
		<u>600,800</u>			<u>600,800</u>

Bank Statement as at 31 October 2014

Date	Details	DR	CR	Balance
		Ksh	Ksh	Ksh
Oct 1	Balance b/d			85,000
5	Komo		268,000	353,000
7	Ali		43,000	396,000
8	Walia		125,000	521,000
8	Sue	80,000		441,000
15	Kazi	36,000		405,000
16	Dividends(T.T.Ltd)		3,000	408,000
21	Standing orders (Viki Ltd)	33,000		375,000
26	Credit transfer (David)		27,000	402,000
28	Direct debit (John)		6,800	408,000
29	Commission	300		408,000
30	Bank charges	3,500		405,000

Prepare:

- (i) an updated cash book as at 31 October 2014.
- (ii) a bank reconciliation statement for the month ending 31 October 2014.

(9 marks)

- (b) Dosa trader operates a petty cash book on the imprest system with a monthly cash float of Ksh 100,000. Re-imburement is made on the last day of the month. On 1 July 2014, the petty cashier had a balance of Ksh 94,000. During the month, the following payments were made:

- July 2. Petrol, Ksh 850
3. Stationery Ksh 50
4. Tea leaves, sugar and bread Ksh 650
8. Bus fare Ksh 200

- 12. Stationery Ksh. 950; Petrol Ksh 1,500
milk Ksh 150
- 15. Paper folders Ksh 350
- 26. Paper folders Ksh 500
- 30. John, a creditor Ksh 200

(i) Prepare a petty cash book with the following analysis columns:

- Travelling expenses
- Stationery
- Staff tea
- Sundry expenses

(ii) Advise the management on two possible shortcomings of the imprest system of the organisation. (11 marks)

5. (a) Explain each of the following terms as used in cost accounting:

- (i) Variable costs
- (ii) Indirect costs
- (iii) Sunk cost
- (iv) Opportunity cost

(8 marks)

(b) Papex Ltd manufactures three products A, B and c. The expected levels of production for each product is as follows:

	A	B	C
Budgeted production (in units)	3,300	4,500	2,600
Labour - skilled (in hrs/unit)	4	3	2
- semi skilled (in hrs/unit)	3	2	4

The hourly rate of remuneration to the skilled labour is Ksh 180 while for the semi-skilled labour is Ksh 120.

For each of the products, calculate;

- (i) Labour cost of production per unit
- (ii) Total hours of skilled labour and semi-skilled labour required to produce the budgeted units.
- (iii) Total labour cost for the budgeted units of production. (12 marks)

6. (a) Coastland Enterprise has two workers, Mango and Wachu. The management is planning to remunerate their workers using either the Halsey Premium Scheme or the Rowan scheme. The standard time is 100 hours with a standard rate of Ksh 120 per hour. Each of the workers clocked 80 hours during the week.
Calculate the;

- (i) The total wages for Mango under the Halsey Premium Scheme
- (ii) Total wages for Wachu under the Rowan scheme.
- (iii) Advise the management on the remuneration method to adopt. (10 marks)

(b) Bambo Road show (BRS) Ltd is planning to perform in Jem city. The fixed cost for the performance is Ksh 450,000. Entry tickets to the performance Hall are sold at Ksh 1,300 per ticket. BRS Ltd, incurs a variable cost of Ksh 900 per ticket. BRS Ltd expects to sell 1,500 tickets.

Calculate:

- (i) Contribution per ticket.
- (ii) Break-even point in units (tickets)
- (iii) Number of tickets to be sold in order to earn a profit of Ksh 600,000.
- (iv) Margin of safety. (10 marks)

7. (a) The following information relates to Kukisha Ltd for the year ended 31 December:

	31 December 2013	31 December 2014
	Ksh	Ksh
Total assets	28,500,000	31,750,000
Net sales	22,100,000	22,800,000
Cost of sales	17,900,000	17,400,000
Gross profit	4,200,000	54,000,000
Wet Profit Before Interest and Tax	1,700,000	2,200,000
Interest Expense	250,000	180,000
Inventory	1,800,000	2,100,000
Current assets	8,200,000	9,300,000
Current liabilities	4,900,000	5,200,000

For the year ended 31 December, 2014:

- (i) Calculate
- I Average assets
 - II Net profit margin
 - III Return on Assets (ROA)
 - IV Inventory Turnover
 - V Interest coverage ratio
 - VI Current ratio
- (ii) Advise the management on the performance based on the:
- I Current ratio
 - II Return on Assets.
- (8 marks)

- (b) Nkarasa Enterprises had Ksh 125,000 in cash and Ksh 250,000 at bank on 1 April 2015. During the month of April 2015, the following transactions took place.

- 2015
- April 1. Bought goods worth Ksh 150,000 and paid by cheque.
 2. Made sales of Ksh 55,000 and was paid by cheque
 6. Took Ksh 15,000 cash from the cash till and deposited it into the bank account.
 7. Paid Ksh 3,000 in cash for general expenses.
 8. Received a cheque of Ksh 16,000 for rent.
 26. Bought furniture for Ksh 76,000 by cheque.
 30. Received Ksh 23,750 from Elena and Ksh 30,400 from Efasa by cheques as full settlement of their debt of Ksh 25,000 and 32,000 respectively.
 30. Paid Ksh 88,000 in cash for salaries.
 30. Settled Chate account Ksh 12,500 and Cheche account Ksh 46,000 and was allowed a discount of 6% cash discount.
 30. Banked all the cash except Ksh 2,000

Prepare a three column cash book as at 30 April 2015.

(12 marks)