

- 1.1
- (a) Explain **five** benefits that may accrue to the users of financial **statements of an** organization.
- (b) The trial balance of Fahari Traders as at 30 June 2015 did not balance and the difference was posted to a suspense account. On investigation, the following errors were revealed:
- Sales account was overcast by Ksh9,000.
 - Payment of Ksh4,000 for motor vehicle repairs had been entered in the motor vehicle account.
 - Rent account was under cast by Ksh5,500.
 - Cash received from a debtor for 7,000 was entered in the cash book only.
 - Purchases of Ksh6,900 had been entered in the books as Ksh9,600.
 - Included in the purchases were goods valued at Ksh4,800 which were for the proprietor's personal use.

Prepare:

- Journal entries to correct errors above.
- A suspense account duly balanced. (10 marks)

- 2.1
- (a) The following ledge account balances relate to Mambo Enterprises as at 1 June 2015.

	Ksh
Motor vehicles	640,000
Ndombi -a debtor	12,800
Lezit - a creditor	5,400
Bank	18,900

During the month of June 2015, the following transactions took place.

- June 3 Bought stock Ksh98,000 from Mbele traders on credit.
- 5 Cash sales amounted to Ksh15,000. ✓
- 8 Bought furniture for Ksh5,500 by cheque.
- 14 Received Ksh12,000 cash from Ndombi in full settlement of his account.
- 16 Bought a motor vehicle Ksh280,000 from Kazungu on credit.
- 18 Paid Lezit Ksh5,000 cash in full settlement of his account.
- 20 Paid Ksh3,800 cash for repairs to the business premises.
- 24 Took goods Ksh2,000 from the business for personal use.
- 28 Paid Ksh4,200 cash for rent.

Prepare ledger accounts to record the transactions above. (12 marks)

- (b) Meeta Ltd produces and sell product TX. In the forthcoming year, **the company** plans to manufacture and sell 30,000 units at Ksh45 each. The following are the cost estimates for the year.

	Ksh
Direct material	450,000
Direct labour	300,000
Variable overheads	180,000
Fixed overheads	240,000

Calculate the:

- (i) Contribution per unit.
- (ii) Net profit when sales volume is increased by 5%.
- (iii) Additional sales (units) required to maintain the current profit level when unit selling price is reduced by Ksh5.

(8 marks)

- ~~3.~~ (a) The details below relate to Beta transporters Ltd.

- On 1, June 2014 bought a motor vehicle KBT-X12 for Ksh1.2 million.
Depreciation is to be charged at the rate of 25% per annum on the reducing balance method.
- On 5, April 2015 bought a motor vehicle KBR-X10 for Ksh1.8 million.
Depreciation to be at a rate of 20% on cost, pro-rata basis.

Prepare a provision for depreciation account for the year ended 31 December 2014 and 2015.

(8 marks)

- (b) The following are the summarised financial statements of Kazuri Ltd.

Statement of Financial position as at 31 December 2014

Assets	Ksh	Capital and Liabilities	Ksh
Plant and machinery (net)	1,500,000	71,000 ordinary shares of Ksh20 each	142,000
Motor vehicle (net)	880,000	10% preference shares	540,000
Stock	420,000	12% debentures	700,000
Debtor	420,000	Profit and loss account	400,000
Other current assets	250,000	Trader creditors	160,000
	<u>3,470,000</u>	Other current liabilities	<u>250,000</u>
			<u>3,470,000</u>

Income statement for the year ended 31 December 2014

	Ksh	Ksh
Sales		3,400,000
Cost of sales		<u>1,400,000</u>
Gross profit		2,000,000
Add: Other income		
Discount received		<u>200,000</u>
		2,200,000
Less: Operating expenses		
Depreciation charge	132,000	
Administration expenses	286,000	
Selling expenses	292,000	
Interest charge	<u>250,000</u>	<u>960,000</u>
Net Profit		<u>1,240,000</u>

Additional information:

On 1, January, 2014:

- (i) The value of stock was Ksh480,000.
- (ii) The balance of income statement was Ksh76,200.
- (iii) Dividends proposed during the year were:

- On ordinary shares - Ksh35,000.
- On preference shares - Ksh27,000

(I) Calculate each of the following ratios:

- (i) Acid test ratio.
- (ii) Stock turnover ratio.
- (iii) Debtors collection period.
- (iv) Interest coverage ratio
(take 1 year = 365 days).

(II) The industry average for debtors collection period is 35 days while the net profit percentage is 28%.

- (i) Comment on the company's performance.
- (ii) Advise the management on two actions to take in each case.

(12 marks)

- (a) The following account balances were extracted from the books of songea traders at 30th June, 2015.

	Ksh
Purchases	248,000 ✓
Returns inwards	270,000 ✓
Returns outwards	4,200 ✓
Carriage inwards	7,600 ✓
Sales	825,000 ✓
Carriage outwards	13,800 expense ✓
Discounts received	5,400 income ✓
Trade receivables	84,000 ✓ Debtor
Provision for doubtful debts	4,600 - income ✓
Postage and printing	21,900 expense
Administrative expenses	73,300 expense
Inventory (1 July 2014)	92,800

Additional information:

- (i) Inventory on 30 June 2015 was Ksh60,400.
- (ii) Provision for doubtful debts to be adjusted to 5% of trade receivables. ✓
- (iii) As at 30 June 2015;

- Rent and rates paid in advance was Ksh5,500.
- Administrative expenses owing were Ksh6,500.

Prepare an income statement for the year ended 30 June 2015.

(9 marks)

- (b) The following details relate to Kesho Traders for the months of March, April, May and June 2015.

	Sales (Ksh)	Purchases (Ksh)	Operating costs (Ksh)
March	800,000	320,000	175,000
April	920,000	330,000	182,000
May	900,000	300,000	187,000
June	940,000	310,000	178,000

Additional information:

1. Cash from sales are received as follows:
 - 80% in the month of sale.
 - 20% in the month following the sale.
2. Purchases are paid for as follows:
 - 70% in the month of purchase.
 - 15% one month after the date of purchase.
 - 15% two months after the date of purchase.
3. Cash balance on 30th March 2015 was Ksh290,000.
4. Overheads are paid in the month they are incurred.

Prepare a cash budget for month of March, April, May and June 2015. (11 marks)

5. (a)

On 1 June 2015, Nori Traders had Ksh117,500 in the business account. Transactions for the month of June were as follows:

- 2 Withdrew Ksh35,000 from the bank for business use.
- 5 Bought trade inventories Ksh20,500 by cheque.
- 7 Took Ksh2,500 from the office till for personal use.
- 12 Received Ksh23,000 in cash from Ngatho in full settlement of his account of Ksh25,000.
- 14 Cash sales amounted to Ksh7,800.
- 19 Paid Kaithe's account Ksh27,000 after having received a 10% cash discount.
- 26 Paid rent Ksh6,000 by cheque.
- 28 Paid wages Ksh7,500 in cash.
- 30 Banked all the cash except Ksh15,000.

Prepare a three column cash book. (10 marks)

- (b) Explain five advantages of cost accounting in an organization. (10 marks)

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- (a) Explain **five** weaknesses of the piece rate method of labour remuneration
- (b) Faida Traders operates a petty cash book on the imprest system with a monthly cash float of Ksh65,000. The reimbursement is made on the first day of every month. On 1 June 2015, the petty cashier had a balance of Ksh28,800. The following transactions were made during the month.

June	2	Paid Ksh18,000 for cleaning services.
	5	Paid Ksh1,450 for postage.
	8	Paid Allan, a creditor Ksh6,800.
	11	Bought printing papers Ksh900.
	12	Bought beverages for Ksh1,200 and snacks Ksh500.
	16	Paid Ksh1,960 for taxi services.
	20	Bought office equipment for Ksh3,600.
	24	Bought files and folders for Ksh4,200.
	26	Paid for milk supply Ksh6,000.
	28	Bought brooms for Ksh920.
	29	Paid Ksh3,750 for bus fare.
	30	Bought air time Ksh1,450.

Prepare a petty cash book with the following analysis columns:

- Cleaning.
- Staff refreshments.
- Communication and stationery.
- Travel.
- Ledger.

(10 marks)

7. (a) The following details were obtained from the books of Leo Traders for the month of June 2015.

		Ksh
1 June	Purchases ledger balance	1,300,000 cr.
	Sales ledger balance	650,000 dr.
Totals for the Month:		
	Credit sales	1,300,000
	Cash payments for trade creditors	980,000
	Cash received from trade debtors	1,050,000
	Credit purchases	1,160,000
	Cheque paid for suppliers	320,000
	Discounts allowed	65,000
	Returns outwards	72,600
	Returns inwards	190,000
	Discounts received	54,800
	Interest charged on overdue trade debtors accounts	10,000
	Penalty charged on suppliers overdue accounts	18,000

Prepare a:

- (i) Sales ledger control account.
(ii) Purchases ledger control account.

(8 marks)

- (b) The following is cash book obtained from the books of Lindi Traders and the bank statement for the month of May 2016.

(i)

Cash Book (Bank column)

Ksh		Ksh	
Balance b/d	710,000	Babu Traders	200,000
Miti Traders	400,000	Gacha Traders	812,500
Shah Stones	250,500	Ogero Ltd	270,000
Olekai Traders	350,200	Naku Traders	458,500
Kigotho Traders	500,000	Nkare	240,000
Kivu Mutut	120,000	Alu V	270,000
Rashid	225,400	Gatho Enterprises	500,000
Oloo Rai	380,000	Balance b/d	185,100
	-		-
	<u>2,936,100</u>		<u>2,936,100</u>

(ii) Bank statement received by Lindi Traders for the month of May, 2016

Details	Dr	Cr	Balance
	Ksh	Ksh	Ksh
Balance			710,000 cr
Miti Traders		400,000	1,110,000
Gacha Traders	812,500		297,500 cr
Kigotho Traders		500,000	797,500 c
Naku Traders	458,500		339,000 cr
Alu V	270,000		69,000 cr
Rashid		225,400	294,400 cr
Ali Traders		130,000	424,400 cr
Bank charges	15,000		409,400 cr
Dividends		34,500	443,900 cr
Masa	155,000		288,900 cr
Singh Traders	85,500		203,500 cr
Mako Traders		376,900	580,300 cr

Prepare:

(I) An updated cash book.

(II) A bank reconciliation statement as at 31 May 2016.

(12 marks)

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