

Name: _____ Index No. _____ / _____

2419/304

**PRINCIPLES OF ACCOUNTING
AND MANAGEMENT**

Oct./Nov. 2015

Time: 3 hours



Candidate's Signature: _____

Date: _____

THE KENYA NATIONAL EXAMINATIONS COUNCIL**DIPLOMA IN CATERING AND ACCOMMODATION MANAGEMENT****PRINCIPLES OF ACCOUNTING AND MANAGEMENT****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 **THREE** sections; **A**, **B** and **C**.**Answer **ALL** questions in Section **A**.**Answer at least **THREE** question from Section **B** and **C**.**You must answer at least **ONE** question from Section **B** and at least **ONE** question from Section **C**.**Answers to the questions must be written in the spaces provided in this question paper.**Do **NOT** remove any pages from this booklet.**Candidates should answer the questions in English.***For Examiner's Use Only**

Section	Question	Maximum Score	Candidate's Score
A	1-10	40	
B		20	
		20	
C		20	
		20	
Total Score		100	

This paper consists of 20 printed pages.**Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.**

SECTION A: (40 marks)

Answer ALL questions in this section.

1. State the functions of each of the following source documents.

(i) Invoice

(ii) Credit note

(4 marks)

2. State **two** uses of a statement of financial position (balance sheet) to the owner of a business.

(4 marks)

3. The following transactions relate to Makupa Hotels for the year ended 31 December 2014.

(i) 30 June 2014, purchased kitchen equipment for Ksh.200,000 on credit from Kitchen Equip Limited.

(ii) 30 November 2014, sold an old motor vehicle for Ksh150,000 to Mamba Traders on credit.

Prepare a general journal to record the transactions above. (4 marks)

4. Mugun sells his goods at 25% above cost. The following information was extracted from his books of account as at 31 December 2014.

	Ksh.
Inventory 1 January 2014	98,720
Inventory 31 December 2014	150,000
Sales for the year	1,200,000

Calculate the purchases. (4 marks)

5. Outline **two** reasons that may make a trader to give cash discount to customers. (4 marks)

6. Highlight **four** steps that should be followed in the planning process in a business venture. (4 marks)

7. State **four** characteristics of the principles of management. (4 marks)

8. Outline **four** factors that should be considered when designing a span of control in an organisation. (4 marks)

9. Highlight **four** ways that may be used by an organisation to recruit employees. (4 marks)

10. Outline **four** essentials of a good control system. (4 marks)

SECTION B: ACCOUNTING

Answer at least ONE question from this section.

11. (a) Explain **four** factors that may affect the choice of stock valuation method. (8 marks)
- (b) County Hotel Limited started business on 1 January 2010. Its financial year ends on 31 December.

The following information relates to purchase of machines:

Date	Number of machines	Cost per machine Ksh.
<u>2010</u>		
January 1	1	8,000
<u>2012</u>		
July 1	2	10,000
October 1	1	6,000
<u>2013</u>		
April 1	1	20,000

Additional information:

- Depreciation is charged at the rate of 10 per cent per annum using the straight line method.
- It is the policy of the company to charge depreciation on prorata basis for all machines bought during the year.

Prepare:

- Machinery account
- The accumulated provision for depreciation account.

(12 marks)

12. (a) Explain **four** errors that may not affect the agreement of a trial balance. (8 marks)

(b) The following is the bank statement and cash book of Manga Hotels Limited for the month of March 2015.

• Bank statement

		<u>Dr.</u> Ksh.	<u>Cr.</u> Ksh.	Balance Ksh.
March	1			51,970 Dr.
	18	1,220		53,190 Dr.
	10		2,440	50,750 Dr.
	20	2,080		52,830 Dr.
	22		3,330	49,500 Dr.
	25		570	48,930 Dr.
	31	490		49,420 Dr.
	31	280		49,700 Dr.

• Cashbook (Bank column)

2015		Ksh.	2015		Ksh.
	Masha	2,440	March 1	Bal b/d	51,970
	Alexa	3,330		Tullo	1,220
	Singa	1,600		Bama	2,080
	Bal c/d	<u>52,800</u>		Shah	<u>4,900</u>
		<u>60,170</u>			<u>60,170</u>

Prepare:

- (i) An updated cashbook
- (ii) A bank reconciliation statement as on 31 March 2015

(12 marks)

13. (a) Lela and Kulu have been operating a business as a partnership without a Partnership Deed. They have disagreed on how to run the firm.

Advise them on how to manage the firm in light of the Partnership Act.

(8 marks)

- (b) The following is the cashbook summary and opening and closing balances of Watalii Social Club for the year ended 30 June 2015.

Watalii Social Club

Receipts and Payments Account

	Ksh		Ksh
Bal b/d	21,000	Secretarial expenses	16,300
Sale of competition prizes	43,700	Rent	140,200
Subscriptions	198,700	Visitor's expenses	127,500
Donations	17,700	Donations to charities	3,500
Refund of rent	50,000	Prizes for competition	27,000
Bal c/d	<u>1,300</u>	Stationery	<u>17,900</u>
	<u>332,400</u>		<u>332,400</u>

Assets and Liabilities as at 30 June.

	2014 Ksh.	2015 Ksh.
Equipment (cost Ksh.142,000)	97,500	78,000
Subscriptions in arrears	6,500	8,500
Subscriptions in advance	1,000	3,700
Creditors for competition prizes	5,800	6,800
Stocks of competition prizes	3,800	4,600

Prepare:

- (i) Subscriptions account
- (ii) Competition prizes account
- (iii) Income and expenditure account for the year ended 30 June 2015

(12 marks)

