

**SECTION A: ACCOUNTING AND MANAGEMENT (40 marks)**

*Answer ALL questions from this section.*

1. State **four** benefits of preparing financial statements. (4 marks)
2. The following balances were extracted from the books of Makata Traders as at 31 December 2010.

	Sh
Land and buildings	1,200,000
Motor vehicles	1,000,000
Stock	800,000
Debtors	600,000
Bank	750,000
Creditors	900,000
Accrued electricity expense	50,000
Prepaid insurance	40,000
Capital	3,000,000
Drawings	220,000

Prepare a balance sheet as at 31 December 2010. (5 marks)

3. State **three** functions of the general journal. (3 marks)
4. State **four** errors that may not be disclosed by the trial balance. (4 marks)
5. State **two** reasons for creating a provision for bad debts. (4 marks)
6. State **four** principles of management as given by Henry Fayol. (4 marks)
7. Outline **four** disadvantages of an informal organisation. (4 marks)
8. Highlight **four** limitations of performance appraisal of employees. (4 marks)
9. State **four** features of the planning process. (4 marks)
10. Outline **four** qualities of an effective leader. (4 marks)

## SECTION B: ACCOUNTING

Answer at least **ONE** question from this section.

11. (a) On 31 December 2010 the bank column of Tour Hotels cash book showed a debit balance of Sh.150,000. The monthly bank statement on the same date showed a credit balance of Sh.295,000. On further investigations, the following discrepancies were discovered:

- (i) Dividends of Sh.24,000 had been paid directly to the bank.
- (ii) A credit transfer of Sh.26,000 had been collected by the bank.
- (iii) Bank charges were Sh.3,000.
- (iv) A direct debit of Sh.7,000 has been paid by the bank.
- (v) A standing order of Sh20,000 has been paid by the bank.
- (vi) A deposit account balance of Sh.140,000 was transferred into the hotels bank current account.
- (vii) Two cheques totalling Sh.54,000 has not been presented for payment.
- (viii) Cheques amounting to Sh.69,000 had been paid into bank on 31 December but has not been credited by the bank.

Prepare:

- Updated cashbook.
- A bank reconciliation statement.

(12 marks)

- (b) Explain the contents of the memorandum of association.

(8 marks)

12. The following trial balance was extracted from the books of Sifa Golf Club as at 31 December 2010.

	Dr Sh	Cr Sh
Clubhouse	420,000	
Equipment	136,180	
Profits from raffles		99,600
Subscriptions received		375,200
Wages of bar staff	56,180	
Bar stock 1 Jan 2010	35,280	
Bar purchases and sales	233,160	
Groundman's wages	153,960	
Golf professional salary	120,000	
General expenses	11,600	
Cash at bank	31,400	
Accumulated fund 1 Jan 2010		363,500
	<u>1,197,760</u>	<u>1,197,760</u>

**Additional information:**

- (i) Bar stock at 31 December 2010 were valued at Sh.19,780.
- (ii) Subscriptions paid in advance as at 31 December 2010 were Sh.18,000.
- (iii) Provide for depreciation on equipment at Sh.76,00.

**Prepare:**

- Bar trading account;
- An income and expenditure account for the year ended 31 December 2010. (20 marks)

13. (a) Explain five causes of depreciation. (10 marks)

- (b) Musa and Salim are partners in a hotel called MSA Beach Hotels. The following balances were extracted from their books of account as at 31 December 2010.

		Shs
Capital balances	Musa	1,200,000
	Salim	960,000
Salaries	Musa	180,000
	Salim	120,000
Drawings	Musa	25,720
	Salim	26,800

**Additional information:**

- (i) The hotels net profit for the year ended 31 December 2010 was Sh.656,800.
- (ii) Interest on capital is allowed at 10% per annum.
- (iii) Profits and losses are shared equally.
- (iv) Interest charged on drawings is 5%.

Prepare the profit and loss appropriation account for the year ended 31 December 2010. (10 marks)

**SECTION C: MANAGEMENT**

*Answer at least **ONE** question from this section.*

14. (a) Maganda Ltd intends to introduce off-the-job training programmes for its employees. Explain **six** types of such programmes. (12 marks)
- (b) Explain each of the following leadership styles:
- (i) Autocratic leadership;
  - (ii) Democratic leadership;
  - (iii) Laissez faire;
  - (iv) Bureaucratic leadership.
- (8 marks)
15. (a) Explain **five** functions of the top level management in an organisation. (10 marks)
- (b) Highlight **five** reasons for installing a control system over inventory. (10 marks)
16. (a) Explain **five** benefits that may accrue to an organisation that adopts management by objectives (MBO). (10 marks)
- (b) Kilifi beach hotels is in the process of decentralising its operations. Highlight **five** factors that should be considered in determining the degree of such decentralisation. (10 marks)