

1. (a) Explain the nature of information that each of the following users of financial statements may need.

- (i) Shareholders;
- (ii) The bank;
- (iii) Government;
- (iv) Suppliers.

(8 marks)

- (b) The following transactions relate to Bamba Traders for the month of December 2012.

2012

December	1	Purchased goods on credit from Rumba Traders Ksh 30,000.
	4	Sold goods on credit to Tatu Traders Ksh 50,000.
	5	Purchased goods on credit from Kumi Ksh 40,000.
	6	Returned damaged goods to Kumi Ksh 5,000.
	10	Tatu Traders returned default goods Ksh 8,000.
	15	Sold goods on credit to Gonza Ksh 60,000; Dodi Ksh 40,000.
	25	Gonza returned goods Ksh 10,000.

Prepare:

- (i) Sales journal;
- (ii) Purchases journal;
- (iii) Sales returns journal;
- (iv) Purchases returns journal.

(12 marks)

2. (a) Explain **five** errors that may not be reflected by the trial balance.

(10 marks)

- (b) Sango Traders had the following assets and liabilities as on 31 December 2012.

	Ksh
Fixtures	350,000
Motor vehicles	420,000
Stock	495,000
Debtors	328,000
Cash at bank	645,000
Cash in hand	12,000

During the first week of January 2013, the following transactions took place.

2013

- January 2 Purchased goods Ksh 77,000 on credit.
- 3 Debtors paid Ksh 28,000 in cash.
- 4 Additional fixtures were bought by cheque Ksh 10,000.
- 5 Withdrew Ksh 100,000 from bank for business use.

Prepare a balance sheet as at 5 January 2013. (10 marks)

3. (a) Explain the use of each of the following documents.

- (i) Price list.
- (ii) Local Purchase Order.
- (iii) Credit note.
- (iv) Invoice.
- (v) Debit note.

(10 marks)

(b) The following information relates to Momo Traders which sells product PX20.

DATE		PURCHASES	SALES
2013			
January	10	1200 kg at Ksh 38 per kg	
	11	1000 kg at Ksh 40 per kg	
	14	-	500 kg at Ksh 60 per kg
	22	500 kg at Ksh 45 per kg	1000 kg at Ksh 100 per kg
	25	-	1000 kg at Ksh 150 per kg
	26	2000 kg at Ksh 70 per kg	
	28	1000 kg at Ksh 80 per kg	

Prepare a stores ledger account using First In First Out (FIFO) method.

(10 marks)

4. (a) The following is the cash book summary and bank statement of Umoja Hotel as at 31 December 2012.

Cash Book (Bank Column)							
2012			Ksh	2012			Ksh
December	5	Hawad	308,000	December	1	Balance b/d	709,000
	24	Maso	120,000			Daudi	140,000
	29	Kanga	124,000			Kalanda	63,000
	31	Gumo	106,000			United Assurance	77,000
	31	Balance c/d	<u>380,000</u>			Malika Limited	<u>49,000</u>
			<u>1,038,000</u>				<u>1,038,000</u>

Bank Statement

2012		DR	CR	BALANCE
		Ksh	Ksh	Ksh
Dec.	1	Balance		709,000 DR
	5	Cheque	308,000	401,000 DR
	14	Daudi	140,000	541,000 DR
	24	Cheque	120,000	421,000 DR
	29	Cheque	124,000	297,000 DR
	30	Dividends	7,000	290,000 DR
	31	Bank charges	13,000	303,000 DR

Prepare;

- (i) Updated Cash Book.
- (ii) Bank reconciliation statement.

(10 marks)

- (b) The following balances were extracted from the ledger accounts of Ngamia Resort as at 31 December 2012.

	Ksh
Sales	372,000
Purchases	231,120
Stock: 1 January 2012	30,000
Carriage inwards	50,000
Returns inwards	45,000
Returns outwards	32,200
Carriage outwards	12,250
Salaries and wages	18,000
Motor expenses	9,000
Rent	12,000
Rent income	55,000
Discounts received	18,000
Discounts allowed	15,000
Depreciation of furniture	11,000
Stationery	8,000
Travelling	5,600

Prepare a trading, profit and loss account for the year ended 31 December, 2012.

(10 marks)

5. (a) The following balances were extracted from the ledger accounts of Manga Group of Hotels Limited as at 31 December 2012.

	Ksh'000'
Issued share capital	200,000
10% Debentures	80,000
Buildings at cost	210,000
Motor vehicles at cost	125,000
Fixtures and equipment at cost	23,000
Profit and loss account	10,320
Fixed assets replacement reserve	16,000
Stock	32,420
Debtors	28,350
Creditors	12,000
General reserve	18,240
Proposed dividends	10,000
Depreciation provision - Motor Vehicle	30,700
- Buildings	44,000
- Fixtures and Equipment	7,500
Bank	10,030

Prepare a balance sheet as at 31 December, 2012.

(10 marks)

- (b) The following transactions relate to Wuda Hotel for the month of March 2013.

2013

March 1	Started business with Ksh 500,000 in the bank.
2	Purchased equipment by cheque Ksh 300,000.
4	Purchased stock of goods for Ksh 100,000 paying by cheque.
5	Sold goods for cash Ksh 50,000.
11	Withdrew Ksh 100,000 from bank for business use.
15	Paid for general expenses Ksh 40,000 by cash.
18	Sold goods on credit to Mbalu Ksh 80,000.
22	Mbalu paid his account in full by cheque less 5% discount.
29	Paid for stationery Ksh 10,000 by cash.

Prepare ledger accounts to record the transactions above.

(10 marks)

6. (a) Koko Hotel prepares its accounts on 31 December each year. On 1 January 2012 the hotel had equipment with a cost of Ksh 271,240. These equipment had been depreciated by Ksh 162,748. During the year ended 31 December 2012 the hotel purchased equipment for Ksh 95,600. Some equipment costing Ksh 72,000 were sold for Ksh 11,400. These equipment had been depreciated by Ksh 56,448.

Equipment is depreciated using reducing balance method at the rate of 40% p.a. No depreciation is charged in the year of disposal. Full year depreciation is charged on assets purchased.

Prepare:

- (i) Equipment account;
- (ii) Provision for depreciation account.
- (iii) Equipment disposal account.

(10 marks)

- (b) The following details relate to Rubu Traders for the years 2010, 2011 and 2012.

Year	Bad Debt Written off Ksh	Debtors as at 31 December Ksh	Percentage Provision
2010	6,000	66,000	5
2011	10,000	120,000	7
2012	18,000	180,000	6

For each of the years 2010, 2011 and 2012, prepare:

- (i) Bad debts written off account;
- (ii) Provision for bad debts account;
- (iii) Balance sheet extract.

(10 marks)

7. (a) Explain **five** contents of a partnership deed. (10 marks)

- (b) The following is the summary of the receipts and payments of Hotel Social Club for the year ended 31 December 2012.

Hotel Social Club			
Receipts and Payments Account			
	Ksh		Ksh
Balance b/d	420,000	Office expenses	326,000
Sale of tickets	874,000	Rent	2,874,000
Subscriptions	3,974,000	Prizes for:	
Donations	354,000	Competitions	540,000
Rent	1,000,000	Stationery	358,000
Balance c/d	<u>26,000</u>	Wages	<u>2,550,000</u>
	<u>6,648,000</u>		<u>6,648,000</u>

Prepare an income and expenditure account for the year ended 31 December 2012.

(10 marks)

8. (a) Explain five uses of a general journal. (10 marks)
- (b) Kanga Hotel Limited maintains a petty cash book on the imprest system. The cash float is Ksh 25,000. During the month of April 2013, the following transactions took place:

2013			Ksh
April	1	Received cash float	25,000
	1	Postage stamps	2,300
	2	Bus fare	1,700
	4	Envelopes	500
	8	Petrol	5,000
	15	Postage stamps	2,000
	16	Cleaning Materials	500
	18	Creditor	5,000
	20	Cleaning materials	1,000
	23	Wages for cleaners	1,000
	25	Envelopes	500
	27	Photocopy papers	500
	29	Cash received for personal telephone call	800
	30	Telephone bills	2,000

Prepare a petty cash book using the following analysis columns.

- Postage and telephone;
- Travelling;
- Cleaning;
- Stationery;
- Ledger.

(10 marks)
