

1. (a) A human resource trainee of Matunda Enterprises extracted the following trial balance from the records of the business as at 31 May 2013:

	Dr Ksh	Cr Ksh
Accounts receivable		840,000
Drawings	40,000	
Inventory (1 June 2012)		560,000
Accounts payable		1,000,000
Capital	4,158,000	
Sales returns		185,000
Purchases		8,000,000
Motor vehicles (cost)		11,750,000
Suspense	1,674,000	
Bank overdraft	3,300,000	
Cash in hand	179,000	
Provision for depreciation on motor vehicles		56,000
Sales	13,000,000	
Returns outwards	40,000	
	<u>22,391,000</u>	<u>22,391,000</u>

Prepare a correct trial balance as at 31 May 2013.

(10 marks)

- (b) The following are the statements of financial position of Josket Traders as at 31 December 2012 and 2013.

	2012		2013	
	Ksh	Ksh	Ksh	Ksh
Non-current assets:		1,700,000		1,730,000
Current assets:				
Inventory	320,000		375,000	
Accounts receivable	468,500		532,000	
Cash and bank	<u>800,200</u>	1,588,700	<u>1,040,000</u>	1,947,000





3. (a) Explain **four** causes of depreciation on non-current assets. (8 marks)
- (b) Diamond Limited manufactures three products P<sub>1</sub>, P<sub>2</sub> and P<sub>3</sub> using two types of raw materials; M<sub>1</sub> and M<sub>2</sub>. The following are the estimates for the month of January 2014:

	Product		
	P <sub>1</sub>	P <sub>2</sub>	P <sub>3</sub>
Sales (units)	3,800	4,000	3,950

Standard material requirements:

	Material	
	M <sub>1</sub> Kg	M <sub>2</sub> Kg
P1	4	8
P2	10	7
P3	16	12
Standard material cost (Ksh)	50	60

Inventories:

	P <sub>1</sub> (units)	P <sub>2</sub> (units)	P <sub>3</sub> (units)	M <sub>1</sub> (kg)	M <sub>2</sub> (kg)
1 January 2014	750	600	240	550	450
31 January 2014	500	900	610	800	660

Prepare:

- (i) production budget in units;
- (ii) material usage budget in kg;
- (iii) material purchases budget in kg and in value (Ksh). (12 marks)

4. (a) The following information relates to Kani Limited for the month of August 2013.

Balances as at 1 August 2013:

	<b>Ksh</b>
Cash in hand	130,000
Cash at bank	410,000
Accounts receivable:	
Koech	30,000
Karanu	15,000
Accounts payable:	
Akinyi	20,000
Masha	8,000

The following transactions took place during the month:

- August 3 Paid for office expenses Ksh 13,500 in cash.  
 4 Koech settled his account in full by cheque after deducting a 5% cash discount.  
 8 Paid Akinyi Ksh 20,000 in cash.  
 12 Paid for rent Ksh 16,000 by cheque.  
 18 Settled Masha's account, in full by cheque after deducting a 2% cash discount.  
 24 Purchased furniture for Ksh 40,500 and paid by cheque.  
 29 Karanu settled his account in cash after deducting a 5% cash discount.  
 30 Took Ksh 25,000 from the cash till and deposited it into the bank account.  
 31 Sold some equipment for Ksh 8,000 and received a cheque.

Prepare a three column cash book for the month. (11 marks)

- (b) Remi Manufacturers operates 8 hours a day in a 5-day week. The normal rate of pay is Ksh 90 per hour. Hours worked in excess of normal time are treated as overtime and paid for as follows:

Weekdays - one and a third normal rate;  
 Saturday - one and half normal rate;  
 Sunday - double normal rate.

During the third week of June 2013, Gwako worked for 56 hours. This included overtime hours as follows:

7 hours on weekdays;  
 4 hours on Saturday;  
 5 hours on Sunday.

Determine Gwako's gross earnings for the week. (9 marks)

5. (a) Explain **four** characteristics of a good cost accounting system. (8 marks)
- (b) The following balances were obtained from the books of account for Waka Enterprises as at 31 December 2013:

	<b>Ksh</b>
Sales	3,600,000
Purchases	3,122,000
Salaries and wages	1,480,000
Motor vehicles	1,200,000
Rent	470,000
Inventory (1 January 2013)	118,000
Motor vehicle expenses	182,000
Carriage inwards	68,000
Furniture and fittings	170,000
Returns outwards	36,000
Carriage outwards	42,000
Discounts received	30,000

Additional information:

On 31 December 2013;

- salaries and wages owing were Ksh 265,000;
- rent paid in advance was Ksh 125,000;
- inventory was valued at Ksh 96,000.

Depreciation on non-current assets is charged as follows;

- motor vehicles - 25% per annum;
- furniture and fittings - 12.5% per annum.

- (i) Prepare an income statement for the year ended 31 December 2013;
- (ii) Advise the management on the **two** possible actions to take based on the performance of the business. (12 marks)

6. (a) The following transactions relate to Fanaka Traders for the month of July 2013.

**2013**

- July 1 Bought goods on credit from Juma for Ksh 40,000, Invoice No 022.  
 6 Sold goods on credit to Kala for Ksh 62,000, Invoice No 006.  
 7 Sold goods on credit to Zawadi for Ksh 14,000, Invoice No 009.  
 10 Bought goods on credit from Pamela for Ksh 125,000, Invoice No 004.  
 15 Kala returned goods worth Ksh 3,500, Note No 015.  
 22 Returned goods to Pamela worth Ksh 2,000, Note No 005.  
 23 Sold goods on credit to Musa for Ksh 150,000 and allowed him a trade discount of 10%, Invoice No 007.  
 27 Bought goods on credit from Kuria for Ksh 100,000 before receiving a trade discount of Ksh 4,000, Invoice No 032.  
 31 Returned goods worth Ksh 1,800 to Kuria, Note No 010.

Prepare a:

- (i) purchases journal;  
 (ii) sales journal;  
 (iii) returns inwards journal;  
 (iv) returns outwards journal. (11 marks)

- (b) The following information was extracted from the records of Rusaq Traders for the month of April 2013:

Balances on 1 April 2013:

	<b>Ksh</b>
Sales ledger - debit	395,000
- credit	260,000
Purchases ledger - credit	210,000

**Transactions during the month:**

Credit sales	800,000
Bad debts written off	16,300
Cash received from debtors	415,000
Discounts allowed	22,100
Cheques received from debtors	340,000
Returns inwards	15,000
Cash refunded to a customer for overpaid account	27,400
Dishonoured cheques	22,300





7. (a) The following is the cash book and bank statement of Heri Limited for the month of January 2013:

Cash Book					
2013		Ksh	2013		Ksh
January 1	Balance b/f	500,000	January 8	W Sarah	24,000
	18 P Saulo	42,000	14	T Charo	31,500
	27 S Mutwol	280,000	28	H Thuo	20,000
		822,000	31	Balance c/f	746,500
					822,000

Bank Statement			
2013	Dr	Cr	Balance
	Ksh	Ksh	Ksh
January 1	Balance b/f		500,000
14	W Sarah	24,000	476,000
21	P Saulo		518,000
		42,000	
22	T Charo	31,500	486,500
26	Direct deposit		536,500
		50,000	
29	Bank charges	14,500	522,000
31	Standing order	17,800	504,200

Prepare:

- (i) an updated cash book;
  - (ii) a bank reconciliation statement. (9 marks)
- (b) Namu Traders operates a petty cash book on the imprest system with a monthly cash float of Ksh 150,000. The amount spent is reimbursed at the end of the month. The following are payments made by the petty cashier during the month of May 2013:

2013	
May 4	Sugar Ksh 460.
6	Calling cards Ksh 150, Otiemo a creditor Ksh 1,200.
10	Milk Ksh 390, foolscaps Ksh 720.
11	Envelopes Ksh 220.
12	Jana, a creditor Ksh 2,800.
15	Tea leaves Ksh 130.
18	Printing papers Ksh 500, telegram Ksh 600.
20	Fax Ksh 810.
24	Exercise books Ksh 3,200.

Prepare a petty cash book for the month of May 2013, using the following analysis columns:

- (i) staff welfare;
- (ii) stationery;
- (iii) telephone;
- (iv) ledger.

(11 marks)

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