

2405/305
ELEMENTS OF ACCOUNTS
Oct./Nov. 2009
Time: 3 hours

THE KENYA NATIONAL EXAMINATIONS COUNCIL
DIPLOMA IN APPLIED STATISTICS
ELEMENTS OF ACCOUNTS

3 hours

INSTRUCTIONS TO CANDIDATES

You should have the following for this examination:

Answer booklet

Mathematical tables/Scientific calculator

Answer any FIVE of the SIX questions in this paper.

All questions carry equal marks.

Maximum marks for each part of a question are shown.

This paper consists of 7 printed pages.

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

1. (a) Explain **five** uses of accounting records to an organisation. (10 marks)

(b) The following transactions relate to Makandia Traders for the month of September 2006.

September 1 Purchased goods on credit from Musa Traders for Sh. 600,000
" 3 Sold goods on credit to Malin Traders for Sh.350,000
" 6 Purchased goods on credit from: Waita Ltd for Sh.650,000;
Musa Traders for Sh.340,000
" 8 Returned goods valued at Sh.250,000 to Musa Traders.
" 15 Sold goods on credit to Mitau Traders for Sh.370,000.
" 18 Purchased goods on credit from Waita Ltd for Sh.250,000
" 21 Malin Traders returned goods valued at Sh.80,000.
" 27 Sold goods on credit to Mitau Traders for Sh. 230,000
" 30 Purchased goods on credit from Waita Ltd for Sh.120,000

- (i) Record the above transactions in the relevant day books.
(ii) Post the totals to the relevant accounts in the general ledger.

(10 marks)

2. (a) TITO started business on 1 July 2006 by depositing Sh.280,000 into a business bank account.

During the month of July, the following transactions took place.

2006

July 1 Purchased office furniture for Sh.250,00 paying by cheque.
5 Withdrew Sh.100,000 from bank for office use.
9 Purchased goods for Sh.40,000 and paid in cash.
12 Sold goods on credit to Mark Traders of Sh.36,000
15 Purchased goods for Sh.150,000 on credit from ABC Ltd.
18 Paid ABC Ltd Sh.145,000 in full settlement of the account by cheque.
20 Withdrew Sh.20,000 from the bank for his children's school fees.
24 Mark Traders paid in cash Sh.35400 in full settlement of his account
26 Paid general expenses by cash Sh.24,000.
28 Purchased goods on credit from Ukweli Ltd for Sh.240,000.
29 Returned goods to Ukweli Ltd for Sh.40,000.
30 Sold goods for cash Sh.60,000.

Prepare ledger accounts to record the transactions.

(10 marks)

- (b) The following is a cash book summary of Wepesi Traders for the month of July 2006.

Cash book (bank column)			
	Sh		Sh
July 1 Balance b/d	5000	July 3 Ambia	400
8 Sales	600	8 Mwenge	2600
10 Robert	2400	9 Sundry expenses	200
12 Akwe	3000	12 Sudi	1400
24 Sales	1400	15 Wages	600
30 Hilton	1200	18 Rent	500
		24 Ambia	300
		" 30 Bal c/d	7,600
	<u>13,600</u>		<u>13,600</u>

On July 30, the trader received the following bank statement from his bank.

	Dr (Sh)	Cr (Sh)	Balance
July 1 Balance			5000 Cr
" 5 Ambia	400		4600
" 8 Cash		600	5200
" 9 Mwenge	2600		2600
" 10 Sundry expenses	200		2400
" 12 Robert		2400	4800
" 14 Sudi	1400		3400
" 16 Akwe		3000	6400
" 18 Wages	600		5800
" 19 Rent	500		5300
" 21 Cash		1400	6700
" 28 Bank charges	200		6500
" 30 Standing orders	1000		5500
" 31 Dividends		300	5800

Required:

- (i) Updated cash book.
 (ii) Bank reconciliation statement as at 31 July 2006. (10 marks)

3. The following trial balance was extracted from the books of Waka Enterprises as at 31 December 2006.

	Dr Sh.	Cr Sh.
Capital		1,000,000
Purchases	400,000	
Fixtures and fittings	85,000	
Motor vehicles	250,000	
Sales		650,000
Discounts allowed	500	
Discounts received		450
Rent	15,500	
Commission received		550
Electricity	35,400	
Transport	28,100	
Insurance	2,500	
Debtors	250,000	
Creditors		84,450
Rates	1,500	
Stock 1 January 2006	38,000	
Salaries and wages	122,000	
Bad debts written off	4,400	
Bank	490,000	
Drawings	1,500	
Cash	11,050	
	<u>1,735,450</u>	<u>1,735,450</u>

Additional information:

- (i) Depreciation should be provided as follows:
 Fixtures and fittings 2% per annum;
 Motor vehicles 5% per annum.
- (ii) As at 31 December 2006:
 Stock was valued at Sh.22,000;
 Insurance prepaid was Sh.200;
 Rates prepaid were Sh.100;
 Electricity outstanding was Sh.1,600.

Prepare:

- (a) Trading Profit and Loss Account for the year ended 31 December 2006.
 (b) Balance Sheet as at 31 December 2006. (20 marks)

4. (a) ABC Ltd manufactures two products, Q and R. The following are the budgeted sales for the year ended 31 December 2008.

Product	Quantity (units)	Price (Sh)
Q	12,000	420
R	1,600	280

Stocks of the products are expected to be as follows:

Product	Stock	Stock
	1 January 2008	31 December 2008
	Units	Units
Q	2,000	1,000
R	1,600	3,600

Prepare:

- (i) Sales budget in units and value.
 (ii) Production budget in units. (8 marks)
- (b) The following balances were extracted from the books of Miwa Mingi Co-operative Society as at 31 December 2006.

Item	Account Number	Balance (Sh)
Staff travelling expenses	334 - 137	15,500
Office rent	334 - 198	12,400
Committee sitting allowances	334 - 181	16,000
Stationery and printing	334 - 191	13,100
Bank charges	334 - 171	1,600
County council cess	334 - 122	14,800
Salaries and wages	334 - 131	133,400
Payments to members	334 - 101	1,287,000
Fuel and oil	334 - 141	155,200
Motor vehicles	000 - 807	1,120,00
Debtors-members	000 - 853	184,000
Cash at bank	000 - 877	1,107,00
Cash in hand	000 - 874	110,000
Payments due to members	000 - 951	141,000
Sale of sugar cane	334 - 001	234,360
Sundry creditors	000 - 961	15,000
Appropriation reserve	000 - 918	118,000
Statutory reserve	000 - 911	116,000
Share capital	000 - 901	1,432,640

Additional information:

- Depreciation is charged on motor vehicles at 25% per annum.
- Bad debts should be written off at 2% of debtors.

Prepare:

- (i) Income and expenditure account for the year ended 31 December 2006.
- (ii) A balance sheet as at 31 December 2006. (12 marks)

5. (a) Wembe, Raiti and Gitau are partners sharing profits and losses in the ratio of 3:2:1 respectively. The following information was obtained from their books as at 31 December 2006.

- Balances as at 1 January 2006.

	Current account (Sh.)	Capital account (Sh.)
Wembe	75,600 Cr	350,000 Cr
Raiti	54,200 Cr	240,000 Cr
Gitau	40,800 Dr	78,000 Cr

- Drawings during the year were:

	(Sh.)
Wembe	10,200
Raiti	84,000
Gitau	7,800

- Raiti is entitled to a salary of Sh.40,000 per annum.
- Interest on drawings is at 8% while interest on capital is 10% per annum.
- Net profit for the year ended 31 December 2006 was Sh.720,000.

For the year ended 31 December 2006, prepare:

- (i) Profit and loss appropriation account;
- (ii) Partners current accounts. (12 marks)

- (b) The following information was obtained from the books of Kitabu Ltd as at 31 December.

	2006 (Sh. '000)	2005 (Sh. '000)
Sales	15,000	24,000
Average stock	600	350
Expenses	150	800
Cost of goods sold	14,700	21,000
Current assets	5,800	3,700
Current liabilities	2800	3,800
Fixed assets	14,000	12,800

(i) For each of the years 2006 and 2005
Calculate:

- I. Stock turnover ratio;
- II. Gross profit margin;
- III. Net profit Margin;
- IV. Return on capital employed;
- V. Current ratio.

(ii) Comment on the liquidity position of the company. (8 marks)

6. (a) Explain each of the following terms as used in insurance:

- (i) Insurable risk;
- (ii) Proximate cause;
- (iii) Average clause;
- (iv) Reinsurance.

(8 marks)

(b) The following are extracts of approved estimates and actual expenditure for the Ministry of Maendeleo for the year 2005/2006.

	Approved estimates (Sh '000)	Actual Expenditure (Sh '000)
001 - Personal emoluments	160,000	98,000
002 - House allowance	18,500	14,200
003 - Passages and leave	4,800	650
008 - Transport	16,200	13,800
110 - Travelling and accommodation	1,240	1,580
120 - Postal and Telecommunication	5,600	3,400
180 - Miscellaneous expenses	16,900	16,800
195 - Training and expenses	5,600	4,600
220 - Purchases of equipment	18,500	38,700
580 - Appropriations in Aid	2,000	5,400

During the month of July the Ministry withdrew Sh.200,000,000.

Prepare:

- (i) The General Account of Vote (G.A.V);
- (ii) The Exchequer account;
- (iii) The Paymaster General Account.

(12 marks)