

Name _____

Index No. _____ easytvet.com

2402/304

PRINCIPLES OF ACCOUNTS

Oct./Nov. 2015

Time: 3 hours

Candidate's Signature _____

Date _____



THE KENYA NATIONAL EXAMINATIONS COUNCIL

DIPLOMA IN FOOD AND BEVERAGE MANAGEMENT

PRINCIPLES OF ACCOUNTS

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 EIGHT questions.

Answer any FIVE questions in the spaces provided in this paper.

All questions carry equal marks.

Maximum marks for each part of a question are as indicated.

Candidates should answer the questions in English.

For Examiner's Use Only

Questions	1	2	3	4	5	6	7	8	TOTAL SCORE
Candidate's Score									

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.

1. (a) The following transactions relate to Malo Hotel for the month of November 2012.

- November 1: Bought furniture on credit from Onyango furniture Ksh. 25,200.
- 5: Malo took goods worth Ksh 7,000 for personal use.
- 7: A credit purchase of Ksh 100,000 from Juji Traders was completely omitted from the books.
- 28: A purchase of office equipment for Ksh.60,000 was recorded in the repairs account.
- 29: Goods lost by fire on Malo hotel were Ksh 40,000.

Prepare a general journal to record the above transactions (10 marks)

- (b) The following transactions relate to material MT 40 of Dimaz Hotel Ltd for the month of July 2012.

	Receipts		Issues
July 1	200 units @Ksh 20	July 2	100 units
July 7	1000 units@ Ksh 23	July 8	700 units
July 15	1500 units@Ksh 25	July 21	500 units
July 17	800 units@Ksh 28	July 24	800 units
July 22	400 units@ Ksh 30		

Prepare a stores ledger account using First In First Out (FIFO) method. (10 marks)

2. (a) Explain each of the following terms as used in accounting

- (i) Capital reserves
- (ii) Revenue reserves
- (iii) Provision for bad debts
- (iv) Provision for depreciation. (8 marks)

(b) The following information relate to Hossana Hotels for the month of May 2012.

- May 1: Cash in hand Ksh 115,500
- Cash in Bank Ksh 2,380,400
- 4: Received a cheque of Ksh 238,700 from Kungu
- 9: Bought Furniture Ksh 207,900 by cheque
- 10: Withdrew Ksh 27,500 form bank for business use
- 14: Paid motor expenses Ksh 62,700 by cheque
- 17: Received Ksh 220,000 cash from Demo
- 22: Paid Salaries in cash Ksh 262,900
- 31: Received a cheque of Ksh 7,920 from Rhoda

Prepare a two column cash book. (12 marks)

3. (a) Explain **four** reasons why hotel should maintain paper books of accounts. (8 marks)

(b) Ali and Babu partnership business. Their partnership deed provides for the following:

- (i) Profit and losses to be shared between Ali and Babu in the ratio 3:2 respectively.
- (ii) Babu to receive a salary of Ksh 140,000 per annum.
- (iii) Interest on drawing to be charge at 15% p.a.

The following balances relate to the firm as at 30 April 2012.

	sh
Capital	
Ali	1,560,000
Babu	1,000,000
Drawings	
Ali	40,000
Babu	30,000
Creditors	500,000
Net profit	2,000,000
10 year loan	1,000,000
Debtors	2,520,000
Bank overdraft	200,000
Current A/C Ali	200,000
Babu	130,000
Buildings (NBV)	4,000,000

Prepare

- (i) Profit and Loss and appropriation account for the year ended 30 April 2013.
- (ii) Partners current account
- (iii) Balance sheet as at 30 April 2011. (12 marks)

4. (a) High class hotel maintains a petty cash book on an imprest system with a cash float of Ksh 40,000. The float is reimbursed at the beginning of the month. The balance brought forward as at 1 February 2013 was Ksh 2,000. The following payments were made during the month of February 2013.

February 2	Photocopy papers	2,200
5	Bus fare	4,000
17	Airtime	4,000
21	Cleaning	2,700
25	Cooking gas	8,000

Prepare a petty cash book using the following analysis columns

Stationery
Travelling
Telephone
Gas
Cleaning

(10 marks)

- (b) The following information was extracted from the books of Hela Ltd.
Debtors balance as at 31 December

2010	Ksh 1,560,000
2011	Ksh 1,040,000
2012	Ksh 1,200,000

The company maintains a provision for bad debts at 5% of the closing balance. The provision for bad and doubtful debts as at 1 January 2010 was Ksh 150,000. For each of the year ended 31 December, 2010, 2011 and 2012 prepare

- (i) Provision for bad debts account
(ii) Balance sheet extract. (10 marks)

5. (a) Explain **four** causes of depreciation of non current assets. (8 marks)

The following information was extracted from the books of Manu, a sole trader for the year ended 31 December 2012.

	Ksh
Sales	14,000,000
Purchases	9,850,000
Rent and Rates	40,000
Motor vehicles expenses	145,600
Bad debts	54,000
General expenses	12,900
Salaries and wages	1,200,000
Depreciation	115,000
Stock - January 2012	100,000

Additional information
As at 31 December 2012

	Ksh
Stock was valued at	250,000
Salaries and wages accrued	40,000
Prepaid rent and rates	36,000

Prepare:

Trading and profit and loss account for the year ended 31 December 2012.

(12 marks)

6. (a) The following balances were extracted from the books of Latema Social Club.

	31 December 2011	31 December 2012
	Ksh	Ksh
Subscription owing	24,000	36,000
Subscriptions received in advance	80,000	60,000
Sports equipment	50,000	60,000
Canteen stock	145,000	150,000
Bank	47,000	53,000
Club land	80,000	100,000

During the year ended 31 December 2012 subscription received amounted to Ksh. 240,000.

- Prepare the subscriptions account for the year ended 31 December 2012.
- Determine the accumulated fund as at 31 December 2012.

(12 marks)

- (b) The following transactions relate to Wanga traders for the month of July 2012.

2012

- July 1: Purchased goods on credit from Munga Millers Ksh 3,000,000.
 6: Sold on credit to EPZ Ltd Ksh 4,000,000
 7: Purchased goods on credit from Dimalex Ltd Ksh 1,500,000
 and Ksh 2,100,000 from Kamari
 22: Sold goods on credit to Hemaya Sh 150, 00 Lida Ksh 250,000
 and Mwambale Ksh 275,000
 28: Purchased goods from Msafiri traders Ksh 2,000,000 on credit.

Prepare

- Purchases Journal
- Sales Journal

(8 marks)

7. (a) Explain use of the following document in a business.

- (i) Requisition note
- (ii) Delivery note
- (iii) Invoice
- (iv) Credit note

(8 marks)

(b) The following trial balance was extracted from books of ABC Hotel as at 31 October 2012.

	DR	CR
Sales	4,000,000	
Purchases		3,800,000
Debtors		200,000
Capital	2,000,000	
Building		1,850,000
Furniture		50,000
Bank overdraft		270,000
Running expenses	140,000	
Opening stock		14,000
Closing stock	47,800	
Creditors	37,200	
Drawings		15,000
Suspense		26,000
	6,225,000	6,225,000

Prepare the corrected trial balance as at 31 October, 2012.

(12 marks)

8. (a) Classify each of the following items as non-current assets, current assets, long term liabilities or current liabilities.

- (i) Trade creditors
- (ii) Cash at bank
- (iii) Trade debtors
- (iv) Buildings
- (v) Accrued electricity
- (vi) Equipment
- (vii) Outstanding salaries
- (viii) Loan from AKCB 5 years.

(8 marks)

(b) The following transactions relates to Wema enterprises for the month of March 2013. anytime.com

- March 1: Started business with Ksh 1,000,000 in the bank.
- 3: Bought goods on credit from Max Dealers Ksh 80,000
- 4: Cash sales Ksh 4,500
- 11: Paid electricity by cheque Ksh 4,000
- 16: Sold goods on credit to Wagu Retailers Ksh 20,000
- 23: Bought shop fittings by cheque Ksh 80,000
- 24: Paid Max dealers by cheque less 5% cash discount
- 31: Received Ksh 100,000 by cash as a loan from Zaidi bank.

Enter the above transactions in the ledger accounts of Wema enterprises. (12 marks)
