

1. (a) The following balances were extracted from the books of Kipimo Social Club as at 31 December 2014:

	Ksh
Land and buildings	5,500,000
Furniture and fittings	2,300,000
Cash in hand	32,500
Bar inventory (1.1.2014)	312,000
Bar creditors	217,000
Accrued waiters wages	42,000
Outstanding electricity	15,000
Prepaid rates	17,000
Subscriptions owing from members	12,500
Prepaid insurance	30,000
Subscriptions prepaid by members	11,400
Short-term fixed deposits	280,000
Life membership fund	1,200,000
Surplus of incomes over expenditure	462,000
Accumulated Fund (1.1.2014)	5,300,000
Bank overdraft	286,000
Accumulated depreciation:	
Land and buildings	412,500
Furniture and fittings	795,500

Prepare a statement of financial position as at 31 December 2014. (10 marks)

- (b) The book-keeper of Kosti Traders prepared a trial balance which did not balance. The debit totals exceeded the credit totals by Ksh 18,500. The difference was placed in a suspense account. The following discrepancies were later discovered:

- I A payment for rent of Ksh 12,000 by cheque was credited as Ksh 21,000 in the bank account.
- II A cash sale of Ksh 15,000 was debited to the cash account as Ksh 1,500.
- III A credit purchase from Musa Wholesalers of Ksh 290,000 was recorded as Ksh 190,000 in their account.
- IV Drawings of Ksh 63,000 were recorded in the cash account only.
- V Discounts received of Ksh 2,000 was recorded in the discounts allowed account.

Prepare:

- (i) Journal entries to correct the errors above.
- (ii) A suspense account, duly balanced. (10 marks)

2. (a) Explain each of the following accounting concepts;

- (i) Money measurement
- (ii) Prudence
- (iii) Consistency
- (iv) Business entity.

(8 marks)

(b) On 1 march 2015, the petty cashier of Taky Guest House was given a cash float of Ksh 7,000 by the main cashier.

The petty cashier made the following payments during the week:
2015

- March 1 Paid Ksh 400 for milk delivered
- 2 Bought stamps for `Ksh 230.
- 3 Bought biscuits for Ksh 500
- 3 Bought fresh flowers for Ksh 350.
- 4 Paid the newspaper vendor Ksh 1,100
- 4 Paid for business journals Ksh 2,500
- 5 Paid for registered mail Ksh 220
- 6 Bought detergent for Ksh 80
- 6 Bought beverages for Ksh 170.
- 7 Paid the cleaner Ksh 200.

(i) Prepare a petty cash book with the following analysis columns:

- Refreshments
- Postage
- Cleaning
- Reading materials
- Miscellaneous expenses

(ii) The amount of cash remaining in the cash till on 7 March 2015, after all payments were made was Ksh 1,150.

Advise the petty cashier on the action to take regarding the balance.

(12 marks)

3. (a) Explain **four** services offered by commercial banks. (8 marks)

(b) On 1 January 2015, Fatuma started a curios shop with Ksh 200,000 in cash. The following transactions took place during the month:

January 1 Opened a business bank account and deposited Ksh 180,00 of the cash.

3 Paid rent of Ksh 25,000 by cheque

5 Bought curios for Ksh 90,000 from Katana on credit.

10 Sold some curios for Ksh 30,000 and received cash.

20 Paid Ksh 80,000 to Katana by cheque.

31 Paid shop expenses amounting to Ksh 15,000 in cash

(i) Prepare ledger accounts to record the transactions above.

(ii) Balance off the accounts in (i) above.

(12 marks)

4. (a) On 31 March 2015, Oloo Traders had a balance as per cash book (bank column) of Ksh 28,600 while the bank statement showed an overdraft of Ksh 9,700.

On comparison of the cash book and the bank statement the following differences were revealed:

- Cheques deposited but not yet credited amounted to Ksh 172,300
- Bank charges of Ksh 3,400 were entered in the bank statement only.
- Cheques issued, totalling Ksh 148,500, had not yet been presented to the bank for payment.
- A standing order payment of Ksh 16,000 for insurance was reflected in the bank statement only
- A cheque from a debtor of Ksh 31,300 was returned by the bank unpaid.
- Direct deposits into the bank from customers amounted to Ksh 36,200.

Prepare :

(i) an updated cash book.

(ii) bank reconciliation statement.

(10 marks)

- (b) The following are the assets, liabilities and capital of Trina Gift shop as at 1 February 2015.

	Ksh
Premises	2,300,000
Motor vans	1,100,000
Furniture	510,000
Bank loan	1,400,000
Inventory	100,000
Accounts payable	650,000
Accounts receivable	770,000
Cash at bank	90,000
Cash in hand	30,000
Capital	2,850,000

The following transactions took place during the first week of February 2015:

- Bought goods worth 20,000 in cash.
- The proprietor brought in his computer worth Ksh 150,000 to be used in the business.
- Received cheques totalling Ksh 350,000 from debtors
- Repaid Ksh 200,000 of the bank loan by cheque.
- Paid a creditor Ksh 60,000 by cheque.

Prepare a statement of financial position as at 7 February 2015. (10 marks)

5. (a) Explain **four** contents of the Partnership Act applicable in accounting in the absence of a Partnership Deed. (8 marks)

- (b) The following balances were extracted from the books of Furaha Hotel as at 31 December 2014.

	Ksh
Buildings	2,000,000
Sales of food and drinks	1,900,000 ✓
Food and drinks inventory (1.1.2014)	152,000
Discounts received	36,000
Purchases of food and drinks	693,000
Returns outwards of drinks	16,000 ✓
Wages and Salaries ✓	750,000
Furniture - ✓	250,000
Electricity bill ✓	57,000
Insurance ✓	108,000
10% Bank loan	<u>500,000</u>
General expenses ✓	44,000
Advertising expenses ✓	215,000
Printing and stationery ✓	32,000

Additional information:

- On 31 December 2014:
 - Food and drinks inventory was valued at Ksh 219,000.
 - Prepaid insurance was Ksh 18,000.
 - Accrued electricity bill amounted to Ksh 4,500. ✓
 - Interest on bank loan was outstanding.
 - Depreciation is to be provided for as follows:
 - Buildings 2%
 - Furniture 15%
- (i) Prepare an income statement for the year ended 31 December 2014.
- (ii) Advise the management on the action to take based on the performance of the firm. (12 marks)

6. (a) On 1 January 2015 Senta Traders had the following balances:

	Ksh
Sales ledger	1,35,000 (Debit)
Purchase ledge	110,000 (Credit)

Transactions during the month:

	Ksh
Credit purchases	292,000
Credit sales	471,800
Discounts received	19,400
Returns inward	29,500
Bad debts	16,000
Receipts from debtors	289,800
Discounts allowed	37,200
Refunds to debtors	7,400
Returns outward	15,500
Payments to creditors	207,200

Prepare:

- (i) sales ledger control account.
- (ii) purchases ledger control account. (8 marks)

(b) Sofa Coach Limited had the following transactions relating to its motor vehicles.

Purchases (1 January):	2012	2013	2014
	Ksh	Ksh	Ksh
Motor Vehicle K	1,600,000	-	-
Motor Vehicle L	-	1,900,000	-
Motor vehicle M	-	-	2,200,000
Disposal Proceeds (1 January):			
Motor vehicle K	-	-	750,000

It is the company's policy to depreciate its motor vehicles at 25% per annum on cost.

- (i) For each of the years ended 31 December 2012, 2013 and 2014, prepare:
 - (I) Motor vehicles account
 - (II) Accumulated depreciation on motor vehicles account
- (ii) Prepare motor vehicles disposal account for the year 2014.

(12 marks)

7. (a) Maana Enterprises had the following transactions relating to expenses and incomes for the year 2014:

I. Payments by cheque:

	Ksh
Electricity	17,800
Insurance	46,500

II. Receipts:

Rent received:

	Ksh
Cheque	32,000
Cash	10,000

III Balances as at:

	1 January 2014	31 December 2014
	Ksh	Ksh
Electricity bill owing	630	1,210
Prepaid insurance	3,000	4,500
Prepaid rent receivable	8,000	12,000

Prepare each of the following accounts for the year ended 31 December 2014:

- (i) Electricity bill account
- (ii) Insurance account
- (iii) Rent receivable account.

(8 marks)

- (b) The following balances were extracted from the books of Mashariki Travellers Limited as at 31 December 2015.

	Ksh
Land and building	10,400,000
Motor vehicle	8,000,000
Fuel pumps and storage tanks	900,000
750,000 ordinary shares of Ksh 20 each	15,000,000
12% Debentures	1000000
Sales revenue	14,600,000
Inventory of fuel and consumables (1.1.2014)	870,000
Route license and insurance	183,000
Administration expenses	2,859,000
Sales promotion expenses	35,000
Purchases of fuel and consumables	6,340,000
Rental income	150,000

Additional information:

- Inventory of fuel and consumables as at 31 December 2015 was Ksh 419,000.
- On 31 December 2015, outstanding administration expenses amounted to Ksh 42,000.
- Depreciation is provided as follows:
 - Land and building 2.5% per annum
 - Motor vehicles 20% per annum.
 - Fuel pumps and storage tanks 10% per annum.
- Interest on debentures is due on 31 December 2015.
- Corporation tax for the year is at 30%.
- The directors have proposed a dividend of Ksh 1.50 per share.

Prepare an income statement for the year ended 31 December 2015.

(12 marks)

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