

**SUBJECT: FINANCIAL ACCOUNTING**  
**CLASS: CERTIFICATE & DIPLOMA IN BUSINESS MANAGEMENT**  
**LECTURER: SAMUEL KIMANI**  
**DATE: 29/5/15**

**INSTRUCTIONS: Answer any THREE questions.**

1. Huchak started business on 1, October 2014. In his first week of business, he had the following transactions:

2014

Oct. 1 Started business with sh. 8,000,000 in the business bank account.

1 Withdrew from the bank sh. 2000,000 for office use.

1 Paid rent sh. 600,000 by cheque.

2 Bought goods of sh. 1,500,000 by cheque.

2 Bought furniture and fixtures of sh. 2,000,000 by cheque.

3 Sold goods for sh. 560,000 by cash.

4. Paid electricity for sh. 34,000 by cash.

4. Bought more goods sh. 176,000 on credit from Jeff.

5 Sold goods for sh. 57,400 on credit to Keff.

5 Returned goods of sh. 26,000 to Jeff.

5 Keff returned goods of sh. 3,500.

6. Took sh. 430,000 from the cash till and banked.

a). Enter the transactions above in the relevant accounts.

b). Balance off the accounts.

c). Extract a trial balance as at 6 October, 2014.

(20Marks).

- 2.a). Explain the following terms as used in accounting:

i). Accrued revenues.

ii). Accrued expenses.

iii). Prepaid expenses.

iv). Allowance for bad debts.

v). Depreciation of Non- current assets. (10Marks).

- b). The bank statement for Gatavaye traders for the month of October 2014 was as follows:

**The bank statement for the month of October 2014 was as given below.**

2014	DATE		DR SH.	CR SH.	BALANCE SH.
OCT.	1	Balance b/d			1050,000
	8	Tabitha	420,000		630,000
	16	Cheque no.2127		295,000	925,000
	20	Zakar	528,000		397,000
	21	Cheque no. 2118		638,200	1,035,200
	31	Tamu-Credit transfer		69,000	1,104,200
	31	Zafa ltd.- standing order	64,000		1,040,200
	31	Bank charges	77,000		963,200
	31 C	Cheque no. 2127	295,000		668,200.

**The cash book (bank column only) for the month of October 2014 was as given below:**

2014	DATE		Sh. (000)	2014	DATE		SH.
OCT.	1	Balance b/d	1050,000	OCT.	6	Tabitha	<b>420,000</b>
	16	Cheque no. 2127	<b>295,000</b>		20	Zakar	<b>528,000</b>
	21	Cheque no. 2118	<b>638,200</b>		30	Rashid	724,000
	31	Cheque no. 2200	<u>200,000</u>		31	Balance c/d	<u>511200</u>
		<b>TOTALS</b>	<b><u>2183,200</u></b>			<b>TOTALS</b>	<b><u>2183,200</u></b>

Prepare:

- i. Updated cash book
- ii. Bank reconciliation statement as at 31 October 2014.  
(10Marks).

3.a). a). The sales and purchases ledgers of Kapado traders as at 31 March 2013 had the following entries:

	SHS.
Balances brought forward (i) Debit – Sales ledger control account	834,000
- Purchases ledger control account	69,500
(ii) Credit- Sales ledger control account	139,000
- Purchases ledger control account	695,000
<b>Transactions during March, 2013</b>	
Cash sales	18,000
Credit sales	979,000
Credit purchases	689,000
Discounts received	24,000
Discounts allowed	16,000
Returns to suppliers	11,000
Returns from customers	20,500
Set offs (contras)	23,500
Bad debts written off in the month	11,000
Increase in provision for bad debts	3,000
Payments to creditors	652,000
Receipts from debtors	685,000
Cash purchases	39,000

Balance carried forward – Sales ledger control account – Credit balance  
shs. 115,000.

- Purchases ledger control account – Debit balance shs.85, 500.

**Prepare:**

- i). The sales ledger control accounts as at 31 March 2013.
- ii).The purchases ledger control account as at 31 March 2013.  
(10Marks).

3. b). a). Alekice balanced her accounts on 30 November 2013 and extracted a trial balance. The trial balance did not balance. The credit column was less by shs. 20,000. Alekice opened a suspense account and used it to balance the trial balance.

Subsequently the following errors were discovered:

- i). A debit balance of shs.80, 000 for Petronillah was omitted from the debtors account.

- ii). The purchases day book had been under cast by shs. 160,000.
- iii). A cheque for shs. 50,000 paid to Josea (a creditor) was correctly entered in the cash book but credited to his account.
- iv). Shs.180, 000 discounts received had been posted to the wrong side of discounts received account.

Required: Draw the suspense account as it would be after corrections of the errors above.  
(10Marks).

4. a). Explain FIVE errors not disclosed by the trial balance. (10Marks).

b). Explain the following accounting concepts:

- i). Going concern.
- ii). Prudence.
- iii). Conservatism.
- iv). Consistency.

(10Marks)

5.a). From the following transactions explain whether they are Capital expenditure or Revenue expenditure:

- i). Bought Machinery worth Kshs 3,450,000 on credit.
- ii). Paid freight and Insurance on the machinery bought in i) above.
- iii). Bought stationery of shs. 65700 by cash.
- iv). Repaired and painted building for shs 243,000.
- v). Purchased a motor vehicle for shs. 3,450,000 on credit.
- vi). Purchased goods worth shs 97,000 on credit.
- vii). Renovated an old building at a cost of shs. 500,000 which raised the building's value to shs. 150,000,000.
- viii). Installed equipment imported to the factory at a cost of shs 1,230,000.

(8Marks).

b). Petronila Traders has presented the following transactions:

I January 2012 bought the following motor vehicles:

- KBH for shs. 2,000,000.
- KBJ for shs 3400,000.
- KBN for shs 4,500,000.

I January 2013 bought KBQ for shs 3,300,000.

31 December 2014 sold KBJ for shs 1,500,000.

Petronila trader's policy is to depreciate motor vehicles at the rate of 20 percent every year on straight line bases regardless when the vehicle was bought. A full year's depreciation is calculated for the year of disposal.

Prepare:

- i). Motor vehicles account.
- ii). Depreciation for motor vehicles account.
- iii). Disposal for motor vehicles account.