

CERTIFICATE IN SUPPLY CHAIN MANAGEMENT

CERTIFICATE BUSINESS MANAGEMENT

FINANCIAL ACCOUNTING

1. The following information relates to Bango traders for the year ended 2010.

- a) Rent Expenses paid Ksh 370,000
- b) Rent accrued by the end of the year Ksh 42,000

Determine the rent expenses chargeable in the income statement for the year ended

December, 2010 (2 marks)

2. Which accounting principle is applied when a provision for depreciation of a fixed asset is made? (1 mark)

2. Mutiso General Supplier incurred the following expenditure in the month of October, 2010.

- i. Purchased motor vehicle for Ksh 800,000;
- ii. Insurance for motor vehicle ksh 72,000;
- iii. Fuel Ksh 58,000;
- iv. Painting and branding of the van Ksh 62,000.

Classify the above cost as either Capital expenditure or revenue expenditure. (2 marks)

3. Explain why each of the following users of accounting information would be interested in the final accounts of a business.

- a) Bank manager
- b) Employee

4. The trial balance of Mobogo Enterprises on 30th June, 2011 failed to balance. On investigations, the following errors were discovered.

- a) Ksh 500 spend on fuel was entered in the cash book only
- b) Sales journal was under cast by Ksh 8,000;
- c) Purchases journal was over cast by Ksh 1,200.

Prepare journal entries to correct the above errors. (3 marks)

5. Determine the capital using the following information. (2 marks)

Assets = Ksh 27,000

Liabilities = Ksh 9,000

6. State of source document in which each of the following amounts is shown.

- a) Trade discount
- b) Returns inwards.

7. Distinguish between error of principle and error of commission. (2 marks)

8. Distinguish between **unpresented** cheques and **Uncredited** cheques, as used in bank reconciliation (2 marks)

9. Define the term trial balance (2 marks)

SECTION B

10. (a) The following trial balance relating to Makobe Traders was prepared by an incompetent bookkeeper as at 31st May, 2011.

Trial Balance at 31 May, 2011

	Dr (Ksh)	Cr (Ksh)
Capital	238,000	
Purchases		623,000
Sales	747,000	
Machinery		347,000

Purchases returns	5,000	
Creditors	10,000	
Debtors	22,000	
Cash in hand		17,000
Cash at bank		23,000
Bank loan	65,000	
Sales returns	6,000	
Stock		12,000
Salaries expense	3,200	
Discount allowed		2,000
Discount received		4,000
Bank overdraft	<u>15,000</u>	<u> </u>
	<u>1,140,000</u>	<u>1,028,000</u>

Prepare a corrected trial balance. (14 mks)

11. (a) Explain each of the following source documents:

- a) Invoice;
- b) Debit note;
- c) Credit note; (6 marks)

(b) On 1 June, 2011, Zwaya Traders has Ksh 17,000 cash and Ksh 123,000 in the bank

The following transaction took place during the month

June 1 Bought goods on credit from Zawandi Limited worth Ksh 25,000

3 Cash sales Ksh 7,000;

Sold goods on credit to Zwaya Traders Ksh 14,000;

Paid Zawandi Limited the amount due by cheque, after deducting 2 ½ % cash discount;

18 Zwaya Enterprises paid the amount due, after deducting 2% cash discount, by cheque;

25 Withdraw Ksh 13,000 cash from bank for office use;

30 paid wages Ksh 52,000 by cheque.

Prepare a three column cash book duly balanced.

(8 mks)

12. (a) The trial balance of Ole Traders prepared on 31 March, 2011 failed to agree. The different of ksh 7,600 was posted to the credit side of the suspense account. On investigation, the following errors were discovered:

- i. The sales day book was undercast by Ksh 20,000
- ii. Cash purchase of Ksh 2,800 had been entered only in the cash account;
- iii. Purchases on credit from Wanji Traders ksh 9,200 had been correctly entered in the purchases account but credit to personal account as Ksh 9,600;
- iv. Payment by cheque Ksh 4,600 to Hanja was correctly entered in the cash book but was credited to the personal account.

Prepare journal entries to correct the above errors (narration not required). Write up the suspense account as it would appear after all the corrections have been made.

(14 marks)

(b) The following was extracted from the books of Koech Traders as at 31 July, 2011.

	Ksh
Gross profit	620,000
Delivery van	500,000

Discount allowed	30,000
Salary expense	120,000
Discount received	15,000
Rent Income	50,000
Accumulated depreciation on Delivery van (1 August 2010)	80,000

Additional information:

- Delivery van is depreciated at 10% p.a. on reducing balance
- Accrued salary amounted to ksh 23,000;
- Rent income received in advance amounted to ksh 5,000

Prepare income statement for the year ended 31st July, 2011

(14 mks)

(b) The following information relates to the business of Njambo Enterprises for the month of July, 2011

Cashbook (bank column)

Date	Details	Kshs	Date	Details	Kshs
July 1	Bal b/d	364,000	July 10	Rafiki Traders	48,200
17	Sales	95,300	26	Alico Insurance	9,500
23	Bongo Traders	21,500	29	Batongo	41,600
30	Zawandi Limited	11,000	31	Bal c/d	<u>479,900</u>
31	Sales	<u>87,400</u>			
		<u>579,200</u>			<u>579,200</u>

Bank Statement

	Details	Debit	Credit	Balance
		Kshs	Ksha	Ksha
July 1	Balance			364,000
15	Rafiki traders	48,200		315,800
17			93,500	409,300
19	Rent (Standing order)	10,000		399,300
28	Bongo Traders		21,500	420,800
29	Dividend		2,400	423,200
30	Bank charges	5,000		418,200

It was discovered that Njambo Traders had debited Ksh 95,300 for Sales on July 17 instead of ksh 93,500

Required

i) Adjust the cash book

ii) Bank reconciliation statement

(14 mks)