

**DIPLOMA IN SUPPLIES CHAIN MANAGEMENT AND BUSINESS
MANAGEMENT
FINANCIAL ACCOUNTING**

1 a) Explain the purpose of each of the following accounting documents:

- i) Debit note;
- ii) Credit note;
- iii) Invoice;
- iv) Statement of account. 4mks

b) The following transactions were obtained from the books of account of Manex Wholesalers for the month ended 31 July, 2011.

July 1. Started business with Kshs 4,500,000 in the bank

5. Bought goods worth Kshs 2,400,000 on credit from Magic Traders;

10: Paid Kshs 124,000 for the rent by cheque

15: Withdrew Kshs 445,000 from the bank for business use;

20: Bought a motor vehicle on credit from Ufanisi Motors worth Kshs
1,200,000

23: Sold goods worth Kshs 1,350,000 on credit to Melly Traders

24: Paid Ksh 2,400, 000 by cheque to Magic Traders.

- i) Record the transactions above in their respective Ledger accounts;
- ii) Balance off the accounts as at 31 July, 2011 (10mks)

2. The following balances were extracted from the books of account of Mageto Holdings as at 30 November, 2011

	Kshs '000
Gross Profit	
Inventor (31 November, 2011)	1,170
Accounts payable	350
Capital	410
Provision for depreciation on equipment (01.12.10)	790
Equipment	900
Accounts receivable	500
Insurance	147
Rent and rates	160
Wages and salaries	446
Bank balance	370
Provision for doubtful debts	18
Drawing	165
Discounts received	24
Long term loan	300

Additional information

Equipment it to be depreciated at 25% on reducing balance basis;

Loan interest owing amounted to Kshs. 20,000

Rent paid in advance amounted to Kshs. 40,000

Provision for doubtful debts to be adjusted to 5% of accounts receivable.

Prepare:

- i) an income statement for the year ended 30 November, 2011 (7mks)
- ii) A statement of the financial position as at 30 November, 2011. (7 marks)

3. The following cash transactions were extracted from the books of Toyet Traders for the month ended 31 August, 2011

August Debit balances brought forward:

1. – Cash at bank – Kshs. 280,000

Cash in hand – Kshs. 46,000

5: Paid postage Kshs. 5,000 in cash

10: Received payment in form of cheque from the following debtors

– Wambua Kshs. 57,000

– Wafula Kshs. 66,500

The debtors have already been allowed a 5% discount

15: Cash sales Kshs. 12,000

20: Bought furniture worth Kshs. 34,000 and paid by cheque

23: Paid to the following suppliers by cheque

– Kandenya Kshs 75,200k

– Nyaga Kshs 47,000

The suppliers have already allowed a 6% cash discount;

30: Paid Kshs 25,000 for rent by cheque

Prepare a three – column cashbook to record the transactions above. (14mks)

4 The following information relates to the sales ledger and purchases ledger accounts of Suppa Solutions Limited for the month ended 30 November, 2011.

Balances as at 1 November 2011:

		Kshs.
Purchases Ledger	:	475,000 (Credit)
	:	48,000 0 (Debit)
Sales Ledger	:	656,000 (Debit)
		67, 000 (Credit)

Transactions during the month:

Bad debts	56,000
Returns outwards	37,000
Credit sales	950,000
Discount allowed	65,000
Returns inwards	34,000
Credit purchases	670,000
Discount received	74,000
Payment to creditors	560,000
Cash sales	150,000k
Receipts from debtors	820,000
Cash purchases	190,000
Dishonored cheques	54,000

Balances as at 30 November, 2011

Purchases Ledger	:	480,000 (Credit)
	:	55,000 (Debit)
Sales Ledger		693,000 (Debit)
		75,000 (Credit)

i) Prepare:

- i) Sales ledger control account
- ii) Purchases ledger control account

ii) Advise the management on which ledger an error might have occurred

(14 marks)

5 Mushroom Supplies operate a petty cashfloat of Ksh 60,000 per month. The float is reimbursed at the end of the month. The following payments were made in the month ended 30 September, 2012 by the petty cashier.

		Kshs
September 2:	Bus fare	1,200
6:	Typist's wages	5,000
10.	Office Stationery	4,000
15:	Musa – a creditor	7,000
20:	Petrol for van	3,000
22:	Messenger's wages	6,000
24:	Wario – a creditor	3,500
25:	Office tea	2,400
29:	Taxi fare	4,600

Prepare a petty cash book for the month, with analysis columns for:

- Ledger accounts
- Wages
- Traveling
- Office expenses

(14 mks)

6. a) The trial balance of Wanjo Wholesalers on 31 December 2011, did not balance. The reported net profit for the year was Kshs 720,000. On investigation, the following errors were revealed.

- The purchases daybook had been undercast by Kshs. 48,000
- Discount allowed of Kshs 24,000 had been credited in the discount received account.
- Motor expenses of Kshs 56,000 had been entered in motor van account
- A credit sale of Kshs 85,000 to Awino was completely omitted from the books
- A cash receipt of Kshs 52,000 from a customer was credited in the cashbook
- A credit purchase of furniture of Kshs 47,000 from Njoka furniture's was only entered in furniture account

Prepare:

i) The journal entries to correct the errors above

ii) A statement of corrected net profit

(12 marks)

b) Four of the accounts in the ledger of Mumo Suppliers indicated the following balances as at:

	1 January, 2010	31 December, 2010
	Kshs	Kshs
Insurance prepaid	47,000	42,000
Rates prepaid	26,000	-
Rates owing	-	12,000
Electricity accrued	35,000	23,000
Rent accrued	54,000	-
Rent prepaid	-	14,000

The following payments were made by cheque during the year ended 31 December 2010

	Kshs
Insurance	90,000
Rates	52,000
Electricity	48,000
Rent	95,000

For the year ended 31 December, 2010, prepare:

i) Insurance

ii) Rates account;

iii) Electricity account

iv) Rent account

(8 mks)

7 a) The bank statement of Oxiwell Distributors showed a balance of Kshs. 265,000 while the bank column of the cashbook showed a balance of Kshs. 470,000, as at 30 November, 2010. The following discrepancies were later discovered.

- Bank charges amounting to Kshs. 25,000 had not been posted in the cash book;
- A cheque of Kshs 56,000 had been dishonored;
- The debit side of the cashbook had been undercast by Kshs 95,000
- A direct deposit of Ksh 50,000 had not been posted in the cash book
- A standing order of Kshs 72,000 had not been posted in the cash book
- Cheques drawn by the distributors amounting to Kshs 36,400 had not been presented for payment;
- A cheque of Kshs 79,000 drawn by the distributors had been posted in the cashbook as Kshs 97,000;
- Cheques received from customers amounting to Kshs 169,000 had not been credited by the bank.

Prepare:

- i) an updated cashbook;
- ii) a bank reconciliation statement

(12 mks)

b) The following transactions relate to Maxicom Dealers for the month ended 31 July, 2010.

July 5 Bought goods worth Kshs. 12,000 on credit from Weche;
10: Sold goods worth Kshs 14,000 on credit to Mamba
15: Bought goods worth Kshs 20,000 on credit from Wendo
20: Sold goods worth Kshs 26,000 on credit to Matata
25: Returned goods worth Kshs 2,000 and Kshs. 3,000 to Weche and Wendo,
Respectively;
20 Goods worth Kshs 2,500 and Kshs 4,000 were returned by Mamba and
Matata, respectively.

- i) Enter the transactions above in the following journals; sales, purchases, returns inwards and returns outwards.
- ii) Post the total from each journal to the respective ledger account in the general ledger.

(8mks)