FORM FOUR EXAMINATION
BOOK KEEPING SERIES 44

062
TIME: 3 HOURS

INSTRUCTIONS

1. This paper consist of section A, B and C.
2. Answer ALL questions in section A and B, and ONLY TWO (2) Questions from section C.
3. Write ALL answers in the answer sheet provided
4. Non programmable calculators are allowed.
5. Write your examination number on every page of you answer sheet(s).

SECTION A: (20 MARKS)

Answer ALL questions in this section

1. For each of the items (i) – (xv), choose the correct answer among the given alternatives and write its letter beside the item number.

   (i) The purchase of machine for your own business paid for cheque, should be recorded in the double entry by:
   A. Debit cash account; Credit machinery account
   B. Debit machinery account; Credit Bank account
   C. Debit Bank account; Credit machinery account
   D. Debit machinery account; Credit cash
   E. Debit machinery account; credit business account

   (ii) An error caused by debiting Gichomi's account instead of Gichochi's account is an error of:
   A. Compensating B. Omission C. Commission D. Complete reversal
   E. Original entry

   (iii) If the opening capital was shs.16,500, closing capital shs.11,350 and drawings were shs.3,300
   A. The loss for the year was shs.1,850
   B. The profit for the year was shs.1,850
   C. The loss for the year was shs.8,450
   D. The profit for the year was shs.8,450
   E. The profit for the year was shs.11,350

   (iv) Which of the following belong to the same class?
   A. Building, machinery, stock, cash
   B. Andrew, CRDB; wages, Bank
   C. ESAMI, Debtors; creditors; capital
   D. Cash, insurance; furniture, loan
   E. Stock, creditors and cash

   (v) The cost of borrowing money is called:
   A. Tax B. Interest C. Duty D. Price E. Tariffs

   (vi) A lorry was purchased on 1st January 19-2 for shs.5,000,000. After two years, it has a Written Down Value (WDV) of shs.2,500,000. Using straight line method depreciation percentage each year is:
   A. 12½% B. 33½% C. 50% D. 25% E. 10%

(vii) A revaluation account shows
- A. Assets bought and assets sold
- B. Goodwill written off
- C. Gain or loss in value of assets
- D. Goodwill sold
- E. Loss of goodwill

(viii) When the final accounts are prepared, the bad debts account is closed by a transfer to the:
- A. Provision for bad debts account.
- B. Trading account section of the income statement.
- C. Profit and loss account section of the income statement.
- D. Statement of financial position.
- E. Debtors account.

(ix) A receipts and payments account do not show:
- A. Bank balance
- B. Receipts from sales of assets
- C. Cheques paid out during the year
- D. The accumulated fund
- E. Cash operations

(x) When preparing a control account the total of returns inwards for the month should be entered on the:
- A. Debit side of purchases ledger control account
- B. Credit side of purchases ledger control account
- C. Debit side of sales ledger control account
- D. Credit side of sales ledger control account
- E. In both sales and purchases ledger control accounts

(xi) Suppliers personal accounts are found in the:

A. Nominal ledger B. General ledger
C. Purchases ledger D. Sales ledger E. None of the above

(xii) Manufacturing profit is obtained when the cost of goods manufactured is less than:
- A. Market price of goods manufactured
- B. Cost of manufactures goods
- C. Market price of goods purchased
- D. Goods manufactured
- E. Cost incurred

(xiii) Given the cost of goods sold as shs.800,000 and a margin of 20%, what is the percentage of the mark-up?

A. 40 B. 20 C. 25 D. 50 E. 75

(xiv) Is it true that the trial balance totals should agree?
- A. No, there are sometimes goods reasons why they differ
- B. Yes, except where the trial balance is extracted at the year end
- C. Yes, always
- D. No, because it is not a statement of financial position.
- E. None of the above.

(xv) Which is the best description of current assets?
- A. Are bought to be used in the business
- B. Are items which will not wear out quickly
- C. Are expensive items bought for the business

D. Are of short-life and are bought specifically for resale.
E. Are bought as replaceable items in the business

2. Match the items in List A with the responses in List B by writing the letter of the correct response beside the item number.

LIST A		LIST B	
(i)	Assumption that a business is to continue for along time.	A.	Realization concept
(ii)	All income and expenses relating to the financial period to which the accounts relate should be taken into account without regard to the date of receipt or payment.	B.	Cash concept
(iii)	Concept where by revenues and their related expenses are recognized in the same accounting period.	C.	Accrual concept
(iv)	Concept which requires the transactions and valuation method to be treated the same in each accounting period.	D.	Going concern concept
(v)	Concept which states that the business is required to record liabilities and expenses as soon as they occur but revenues are recorded only when they are assured or realized.	E.	Matching concept
		F.	Consistency concept
		G.	Dual concept
		H.	Business entity concept
		I.	Historical concept

SECTION B: (40 MARKS)

Answer ALL questions in this section

3. Write short notes on the following government accounting terms:
   (a) Government Accounting Year
   (b) Consolidated fund
   (c) Accounting officer
   (d) Child
   (e) Civil Contingency funds

4. Given a purchases invoice showing 5 items of shs.800/= each, less trade discount of 25 percent and cash discount of 5 percent, if paid within the credit period:
   (a) How much to be made as Trade discount
   (b) How much to be allowed as cash discount
   (c) How much to be paid for the cheque

5. A business purchased a non current asset on 1st January 1981 for Shs.500,000. It has an estimated life of 12 years and estimated scrape value of shs.140,000.

   The asset was sold for Shs.350,000 on 1st January 1984. The business uses straight line method for depreciation.

   Required:

   (a) Calculate the profit or loss on disposal of the asset
   (b) Prepare Disposal account.

6. Identify the following cost items to the appropriate cost: Direct materials, Direct labour, Direct expenses , Indirect manufacturing costs, Administration expenses, Selling and distribution expenses , Financial charges
   a. Purchases of raw materials
   b. Direct wages
   c. Depreciation of machinery
   d. Commission on sales
   e. Factory rent
   f. Royalties
   g. Administration salaries
   h. Bank charges
   i. Discounts allowed
   j. Carriage outwards

SECTION C: (40 MARKS)

Answer ONLY TWO (2) Questions in this section

7. Maji Social Club (MSC) was formed on 1st July 1985 and at the end of the first year the Treasurer submitted the following statement to members:

Receipts		**Payments**	
	Shs.		Shs.
Subscription	3,200	Cost of refreshments	200
Sale of dance tickets	800	Printing and Stationery	150
Proceeds of sale of refreshments	300	Rent	100
		Furniture	1500
		Dance expenses	450
		Sundry expenses	150
		Balance	1750
	4300		4300

You are given the following information:

(a) Stock of printing and stationery Shs.50/= at 30 June 1986.
(b) Rent owing shs.100 at 30 June 1986

Required:

Prepare a statement of Income and Expenditure for the year ended 30th June 1986 and a statement of financial position as at that date.

8. Maina and Naina started business on 1st January 1980 with capital of shs.40,000 and shs.30,000 respectively. As per Partnership Agreement, Naina is to receive a salary of shs.400 per month interest on capitals is to be allowed at 5% per year. The profit are to be shared by the partners in the ratio of 3:2 respectively.

During the year 1980, the Firm earned a profit of shs.23,300 before charging salary to Naina and interest on capitals. During the year Maina withdrew shs.6,000 and Naina shs.4,300 for private purpose. (Hint: No interest should be charged on drawings)

Required prepare:

(a) Profit and loss appropriation at the year ended 31st December 1980
(b) Current account and

(c) Capital account

9. A company depreciates its computers at the rate of 10% p.a on cost for each month of ownership. The accounting period ends on 31st December every year.

ASSET	COST OF ASSET SHS	DATE OF PURCHASE	DATE OF DISPOSAL	SALES AMOUNT SHS.
Computer A	420,000	01.03.2006	-	-
Computer B	360,000	01.07.2006	30.09.2008	165,000
Computer C	300,000	01.09.2007	-	-

Using the data provided in the table above, for the year 2006, 2007 and 2008. Prepare

a) Computer account
b) Provision for depreciation on computer account
c) Computer disposal account