

QUESTION ONE

- a) Explain the following accounting concepts and their implications in the preparation of financial statements:
- Realisation concept
 - Accounting equivalence concept
 - Verifiable objective evidence concept
 - Separate entity concept
 - Accounting period concept
- (10 marks)
- b) The following balances have been extracted from the books of Bernice a sole trader as at 31st December, 2023.

Particulars	Debit	Credit
	Kshs. (000)	Kshs. (000)
Land and Buildings	4,000	
Motor vehicles	5,000	
Fixtures	4,000	
Provision for Depreciation on Land and Buildings		600
Provision for Depreciation on Motor vehicles		1,200
Provision for Depreciation on Fixtures		800
Stock (1/1/2023)	1,000	
Investments	5,000	
Salaries and wages	1,000	
Telephone	400	
Rent	1,000	
Motor vehicle expenses	500	
cash	2,000	
Sales		17,000
Income from investments		1000
Debtors & Creditors	3600	4000
Provision for bad and doubtful debts		400
Bad debts	500	
Drawings	1,500	
Capital		12,000
Purchases	8,000	
Electricity	500	
Discounts	1500	1400
Returns	1,000	outward 1500
	40,900	40,900

Land & Buildings	(Cost) (\$000)	(Dep.) (\$000)	Nbok (\$000)	Value (\$000)
	4,000			

Additional Information

- a) Rent outstanding at the end of the year is ksh.300,000.
- b) Salaries and wages paid in advance amount to ksh.100,000
- c) Accrued electricity is ksh.50,000.
- d) Half of telephone bill paid relates to the year 2024.
- e) Stocks as at 31st December, 2023 amount to ksh.2,000,000.
- f) Provision for bad and doubtful debts is to be set at 10% of debtors.
- g) Depreciation is provided on Land and Buildings at 5% on cost.
- h) Depreciation is provided on motor vehicles at 10% on cost and fixtures at 20% on reducing balance method.
- i) The debtors balance includes Ksh. 400,000 due from Sambu who has now been declared bankrupt and it has been decided to write-off this debt as a bad debt.

Required:

- i) Income Statement for the year ended 31st December, 2023.
(13 marks)
- ii) Statement of financial position as at 31st December, 2023.
(7 marks)

QUESTION TWO

- a) Mr. Atonga, a cashier with Winter International School in Kisumu starts with a cash float of Ksh.20,000 in the month of October, 2024. In the course of the week, the following payments were made:

	Ksh.
1 st October – bought stamps for	800
2 nd October – paid bus fare for	1200
2 nd October – cleaning materials	2400
3 rd October – bought fuel	1500
3 rd October – cleaning wages	3000
4 th October – bought stamps	2000
4 th October – paid Mugambi (creditor)	4000
5 th October – fuel costs	1500

On the 5th of October Mr. Atonga requested for a refund of the cash spent and this amount was reimbursed.

Required:

Prepare a detailed petty cash book showing the balance to be carried forward to the next period.
(15 marks)

- b) Discuss any five users of accounting information clearly indicating their information needs. (5 marks)

QUESTION THREE

Kaudo is a welfare club with an annual membership fee of Sh.200. The club's statement of financial position as at 31st December 2023, which is presented below, failed to balance and the difference was posted in the suspense account.

Kaudo Statement of financial position as at 31st December 2023

	Shs	Shs
Non- current assets:		
Pavillion		1,260,000
Current assets:		
Bar stock	394,000	
Bar debtors	50,000	
Subscriptions in arrears	42,500	
Prepayments	9,200	
Bank balance	170,000	665,700
		1,925,700
Accumulated funds (1 st January 2023)	1,337,700	
Surplus for the year	141,400	1,479,100
Current liabilities:		
Bar creditors	96,600	
Accruals	5,800	
Subscriptions in advance	65,700	
Suspense account	278,500	446,600
		1,925,700

On further investigation the following matters were revealed:

1. Bar takings had been overcast by Sh. 115,000.
2. 600 members had not paid their subscriptions as at 31st December 2023.
3. Depreciation for the pavilion amounting to Sh. 56,000 had not been provided.
4. A loan of Sh. 450,000 obtained from the bank was only recorded in the receipts and payment account.
5. Repairs on the pavilion amounting to Sh.135,000 had been capitalized.
6. Bar creditors of Sh. 45,000 had been omitted from the creditors list
7. A receipt of Sh. 50,750 had been entered as a payment in the receipts and payment account.

Required:

- i) Journal entries to correct the above errors. (7 marks)
- ii) Suspense account duly balanced. (3 marks)
- iii) Statement of adjusted surplus (or deficit) for the year ended 31st December 2023. (3 marks)
- iv) Statement of financial position. (7 marks)

QUESTION FOUR ✓

The following balances were extracted from the books of Alpha Ltd. for the month of November 2024:

Lyndan Co. Ltd. maintains control accounts in its business records. The balances and transactions relating to the company's control accounts for the month of November 2024 are listed below:

	Sh.
Balance at 1 st November 2024:	
Sales ledger	6,185,000 (Dr) 52,500 (credit) 16,500 (debit) 4,285,000 (Cr)
Purchases ledger	<i>Sales ledger</i> <i>Dr</i> <i>Credit</i> <i>1000</i> <i>52.5</i> <i>125</i> <i>52.5</i>
Transactions during November 2024:	
S Sales on credit	8,452,000
P Purchases on credit	5,687,500
R Returns inwards	203,500
R Returns outwards	284,000
B Bills of Exchange payable	930,000
B Bills of Exchange receivable	615,000
C Cheques received from customers	7,985,000
P Cheques paid to suppliers	4,732,000
C Cash paid to suppliers	88,500
B Bill payable dishonoured	400,000
C Charges on bill payable dishonoured	10,000
C Cash received from credit customers	153,000
D Bad debts written-off	64,500
C Cash discounts allowed	302,000
B Bill receivable dishonoured	88,500
Balances at 30 th November 2024:	(127.5)
Sales ledger	44,000 (credit)
Purchases ledger	23,500 (debit)

Required: Post the sales ledger and the purchases ledger control accounts for the month of November 2024 and derive the respective debit and credit closing balances on 30th November 2024. (20 marks)

QUESTION FIVE

The following are extracts from the cashbook and the bank statement of Lyndan Investments for the month of July 2024.

Cash Book (Bank Column only)							
Date 2024	Details	Cheque No.	Amounts '000'	Date 2024	Details	Cheque No.	Amounts '000'
1 July	Balance b/d		✓ 1,946	2 July	Jetlag Co Ltd	63104	✓ 75
1 July	Danico & C. Ltd.	3105	✓ 249	2 July	Prayagraj Co. Ltd	63105	206
5 July	Samuel K.	5127	✓ 188	2 July	Delomony Ltd.	63106	✓ 315
8 July	Festus M.	2241	✓ 150	8 July	Jambo Ltd	63107	✓ 211
10 July	Rammers Ltd.	1224	✓ 440	9 July	Housing Finance Co. Ltd	63108	✓ 120
18 July	Govid Ltd.	8510	✓ 65	13 July	Maalim J.	63109	22
27 July	Gregory W.	1223	520	20 July	Sangoma Ltd	63110	137
30 July	Salama Co. Ltd.	6218	82	27 July	Jaydin P.	63111	✓ 270
			-	31 July	Balance carried down		2,284
			3,640				3,640
1 April	Balance b/d		2,284				

Lyndan Investments Bank Statement Date: 31st July 2024

Date 2024	Details	Debit '000'	Credit '000'	Balance '000'
1 July	Balance	-	-	✓ 1,946 CR
2 July	Danico & Co. Cheque no. 3105	-	✓ 249	2,195 CR
4 July	Jet lag Cheque no. 63104	✓ 75	-	2,120 CR
5 July	Cheque No. 63106	✓ 315	-	1,805 CR
6 July	Samuel K. Cheque no. 5127	-	✓ 188	1,993 CR
9 July	Festus M. Cheque No. 2241	-	✓ 150	2,143 CR
9 July	Jambo Ltd Cheque No. 63107	✓ 211	-	1,932 CR
12 July	Rammers Ltd Cheque no. 1224	-	✓ 440	2,372 CR
12 July	H'Finance Co. Ltd Cheque no. 63108	✓ 120	-	2,252 CR
20 July	Govid Ltd Cheque no. 8510	-	✓ 65	2,317 CR
28 July	Jaydin P. Cheque no. 63111	✓ 270	-	3,047 CR
30 July	Skyline Co.Ltd		92	2,139 CR
31 July	Bank Charges	55	-	2,084 CR
31 July	Bottom Line Co. Ltd	1,000	-	1,084 CR

Required:

A bank reconciliation statement as at 31st July, 2024.

(15 marks)

- b) In the context of the International Accounting Standards Board's Conceptual Framework for Financial Reporting, explain the elements of financial statements. (5 marks)