

3. Depreciation is to be provided as follows:

Asset	Rate per annum
Furniture and fittings	12.5% on reducing balance
Motor vehicles	10% on cost
Ignore depreciation on building	

- Allowance for doubtful debts is to be adjusted to Sh. 240,000.
- Bad debts amounting to Sh. 40,000 are to be written off.
- Insurance amounting to Sh 480,000 had been paid to cater for a period of six months up to 31 January 2023.
- A provision for accrued debenture interest of Sh. 50,000 and preference dividend of Sh 320,000 are to be made.
- Corporation tax for the year is estimated to be Sh. 1,614,000.
- The directors have proposed to pay a final dividend of 10% of ordinary share capital and to transfer Sh. 500,000 to the general reserve.

Required:

- Statement of profit or loss for the year ended 31 October 2022 **(15 Marks)**
- Statement of financial position as at 31 October 2022 **(15 Marks)**

QUESTION TWO (20 MARKS)

Suleiman, Moses and Chatu are partners sharing Profit and losses in the ratio 3:1:1 after interest on capital at 10% and salaries to Moses and Chatu of 300,000 each. Interest on drawing is charged at 5%p.a. Their trial balance for period ended 31/12/21 is as follows.

	<u>Dr</u> Shs	<u>Cr</u> Shs
Capital accounts:		
Suleiman		3,000,000
Moses		2,000,000
Chatu		1,500,000
Sales and purchases	6,000,000	10,000,000
Debtors and creditors	2,000,000	800,000
Returns	400,000	200,000
Discounts	200,000	300,000
Office expenses	1,000,000	
Current accounts:		
Suleiman		500,000
Moses		400,000
Chatu	200,000	
General expenses	1,200,000	
Bad debts	200,000	
Provision for bad & doubtful		
Debts	200,000	
Rent and rates	200,000	
Salaries and wages	500,000	
Land & building	4,000,000	
Plant & machinery	3,000,000	
Motor vehicles	3,000,000	
Depreciation		
Land & Buildings		1,000,000
Plant & machinery		1,500,000
Motors vehicle		<u>500,000</u>

21,190,000

21,190,000

Additional information

1. Inventory as at 31/12/21 amount to Ksh. 1,000,000
2. Provision for bad and doubtful debt maintained at 10% of debtors
3. General expenses amounting Ksh. 200,000 were in arrears while rent and rates Ksh. 100,000 are in advance.
4. Depreciation is charged as follows:
 - a) Land and buildings 10% on cost
 - b) Plant and machinery 20% on reducing balance
 - c) Motor vehicles 15% on cost

Required:

- a) Statement of profit or loss for year ended 31/12/21 **(8 Marks)**
- b) Profit and Loss Appropriation account for year ended 31/12/21 **(2 Marks)**
- c) Statement of financial position as at 31st December 2021 **(10 Marks)**

QUESTION THREE (20 MARKS)

One of your colleagues has asked for your assistance. He is preparing the annual accounts for a client, but cannot agree the balances on the sales ledger and purchase ledger control accounts with the listing of the individual account balances. Following balances are provided as on December 31, 2022.

The sales ledger control account balance is Ksh. 32,784. Dr and Ksh. 3,000 Cr. While the listing of individual customer account balances net is Ksh. 28,956.

The purchases ledger control account balance is Rs.22, 372. While the listing of individual supplier accounts balances is Ksh.21, 031.

His Investigations have revealed the following.

- a) A sales invoice for Ksh 2,570 had been posted to the customer's account as Ksh. 2,750.
- b) One of the customers is also a supplier. During the year it had been agreed that balances to the value of Ksh.750 should be set off against each other. The relevant personal accounts had been updated, but no other action had been taken.
- c) According to the cash book discounts allowed to customers totaled Ksh. 328. These amounts had been correctly posted to the personal accounts, but the total had not been posted from the cash book to the nominal ledger.
- d) The total value of invoices in the sales day book had been incorrectly calculated on two occasions. In one case the total was underestimated by Ksh. 53, and on the other occasion the total had been overstated by Ksh.29
- e) 427 received from the Sparks Ltd had been posted to personal account of Sparks and Co.
- f) Goods to the values of Ksh. 2,100 had been returned to the supplier, and a credit note received. The credit note had been correctly recorded in the supplier's account, but had not been recorded in the purchase return book.
- g) Payments made to a supplier by standing order totaling Ksh. 1,800 had been omitted entirely from the records.
- h) A balance of Ksh. 279 due to a supplier had been included in the list of balances as Ksh. 297.
- i) A debit balance on a suppliers' account had been listed as a credit balance. The balance was Ksh. 741
- j) The credit side of the subsidiary account of T, a debtor has been under cast by Ksh. 70.
- k) B's account had been credited with Ksh.34 for goods returned by him but no other entry had been made in the books.
- l) A discount of Ksh. 800 allowed to John had been correctly recorded and posted in the books. This was subsequently allowed; A corresponding amount was entered in Discount received column in the cash book and posted to John's account in the purchase ledger.
- m) One of the credit balances in subsidiary books of debtor Ksh.20 has been listed as it is a debit balance.

- n) One of the credit balances in the subsidiary books of debtor Ksh. 15 had been listed twice once as debit and second as credit.
- o) One of the receivable balances of Ksh.9 in subsidiary books of debtors has been wrongly put as credit balance in subsidiary books of creditors.
- p) Ksh. 3,000 credit balance includes Ksh. 1,000 from a customers received during previous in excess of his debit balance.70% of this amount has been refunded during the year but no entries have been made in the books.
- q) Sale invoice of Ksh. 400 has been entered in the books as purchase invoice.

Required:

- a) Make the necessary postings to the sales ledger control account, and calculate the correct balance for inclusions in the client’s annual account **(5 Marks)**
- b) Reconcile the listing of the individual customer account balances to the updated balance on the sales ledger control account. **(5 Marks)**
- c) Make the necessary postings to the purchase ledger control account, and calculate the correct balance for inclusion in the client’s annual accounts. **(5 Marks)**
- d) Reconcile the listing of individual supplier account balances to the updated balance on the purchase ledger control account. **(5 Marks)**

QUESTION FOUR (20 MARKS)

On 31 October 2021, the cashbook of Nadhifu Ltd. showed a debit balance of Sh.1,710,000. This did not agree with the balance shown in the bank statement. Upon investigation, the accountant discovered the following errors:

1. A cheque paid to Salama for Sh.306,000 had been entered in the cashbook as Sh.387,000
2. Cash paid into the bank by a customer for Sh.90,000 had been entered in the cashbook as Sh.81,000
3. A transfer of Sh.1,110,000 to Central Savings Bank had not been posted to the cash book.
4. A receipt of Sh.9,000 shown in the bank statement had not been posted in the cashbook.
5. Cheques drawn amounting to Sh.36,000 had not been paid into the bank.
6. The cash book balance had been incorrectly brought down at 1 November 2020 as a debit balance of Sh.1,080,000 instead of a debit balance of Sh.990,000
7. Bank charges of Sh.18,000 do not appear in the cash book.
8. A receipt of Sh.810,000 paid into the bank on 31 October 2021 appeared in the bank statement on 1 November 2010.
9. A standing order of Sh.27,000 had not been recorded in the cash book.
10. A cheque for Sh.45,000 previously received and paid into the bank had been returned by the customer’s bank marked “account closed”.
11. The bank received a direct debit of Sh.90,000 from an anonymous customer.
12. Cheques banked had been totaled at Sh.135,000 instead of Sh.153,000.
13. A cheque drawn in favour of Ngaruiya for Sh.120,000 had been entered on the debit side of the cashbook.

Required;

- i. Adjusted cash book as at 31 October 2021. **(15 Marks)**
- ii. A bank reconciliation statement as at 31 October 2021. **(5 Marks)**