

	5.2 Errors that affect the 'balancing' of Trial Balance and Suspense Account	79
5.3	Review Question	82
5.4	References.....	84
	TOPIC 6: BANK RECONCILIATION STATEMENT	85
	6.1 Introduction	85
	6.2 Purposes of Bank Reconciliation Statement.....	86
	6.3 Review Questions	89
	6.4 References.....	90
	TOPIC 7: FINAL ACCOUNTS	91
	7.1 Income Statements.....	91
	7.2 Statement of Financial Position/Balance Sheet.....	95
	7.3 Capital and Revenue Expenditure.....	97
	7.4 Review Questions	97
	7.4 References.....	99
	TOPIC 8: YEAR END ADJUSTMENTS	100
	8.1 Depreciation	100
	8.2 Methods of Calculating Depreciation.....	100
	8.3 Accounting Treatment on Depreciation.....	102
	8.4 Revenue and Cost Recognition.....	111
	8.5 Prepayments.....	114
	8.7 Bad & Doubtful Debts.....	117
	8.8 Provision for Discounts Allowable.....	124
	8.9 Revision Questions	126
	8.10 References	127
	Model Examination Paper 1.....	128
	Model Examination Paper 2.....	132
	Answers model paper 1. (Suggested).....	136

c. He bought extra fixture by cheque Sh.2,000.

You are to draw up a statement of financial position as on 7 July 2002 after the above transactions have been completed.
(10 marks)

Question two

a) Explain the nature of accounting and the accounting equation (8 marks)

b) Calculate the profit for the year ended 31 December 2001 from the following information

(12 marks)

Non Current Assets	01.01.2001	31.12.2001
	Sh.	Sh.
Property	20,000.00	20,000.00
Machinery	<u>6,000.00</u>	<u>9,000.00</u>
	<u>26,000.00</u>	<u>29,000.00</u>
Current Assets:		
Debtors		8,000.00
	4,000.00	
Cash	<u>1,000.00</u>	<u>1,500.00</u>
	<u>5,000.00</u>	<u>9,500.00</u>
Current Liabilities:		
Creditors	5,000.00	3,000.00
Overdraft	6,000.00	9,000.00
	<u>11,000.00</u>	<u>12,000.00</u>
Net Current Liabilities	<u>(6,000.00)</u>	<u>(2,500.00)</u>
Net Assets	<u>20,000.00</u>	<u>26,500.00</u>

Drawings during the year amounted to Sh.4,500.00

Question Two

Mary- shop centre, is small business owned by Mary.

During the year to 31 December 2001 the following total transactions occurred:

- a) Mary withdrew a total of Sh.10,000.00 in cash
- b) Stock in trade was bought, all on credit, for Sh.34,000.00
- c) Sales were made totaling 60,000.00 of stock in trade which had cost Sh.37,000.00. Of these sales Sh.51,000.00 were on credit and Sh.9,000.00 for cash.
- d) A total of Sh.16,000.00 was drawn from the bank in cash to the cash till.

Telephone	800.00	
Rates	3,000.00	
Discount allowed	100.00	
Discount received		200.00
Rent received		2,000.00
Returns inwards	1,500.00	
Returns outwards		3,500.00
Stock at 01 Jan 2001	46,000.00	
Premises	80,000.00	
Stock as at 31 Dec 2001	41,000.00	
Fixtures and fittings	5,000.00	
Debtors and Creditors	4,800.00	7,500.00
Cash in Hand	200.00	
Cash in bank		12,000.00
Capital		11,000.00
Drawings	14,000.00	
Stock as at 31 Dec 2001		41,000.00
	<u>328,700.00</u>	<u>328,700.00</u>

Required

Prepare a statement of comprehensive income for the year ended 31 December 2002 and a statement of financial position as at that date. (20 marks)

Question two

The following is the trial balance of KSmooth as at 31 March 2002. Draw up a set of final accounts for the year ended 31 March 2002.

	Dr	Cr
	Sh.	Sh.
Stock 1 April 2001	1,816,000	
Sales		9,234,000
Purchases	6,918,500	
Carriage inwards	42,000	
Carriage outwards	157,000	
Returns outwards		64,000
Wages and salaries	1,024,000	
Rent and rates	301,500	
Communication expenses	62,400	
Commissions payable	21,600	
Insurance	40,500	
Sundry expenses	31,800	
Buildings	2,000,000	
Debtors	1,432,000	