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**FINANCIAL ACCOUNTING**

**March/April 2025**

**Time: 3 hours**



**THE KENYA NATIONAL EXAMINATIONS COUNCIL**

**CRAFT CERTIFICATE IN SUPPLIES MANAGEMENT**  
**CRAFT CERTIFICATE IN ACCOUNTANCY**  
**CRAFT CERTIFICATE IN BANKING AND FINANCE**  
**CRAFT CERTIFICATE BUSINESS ADMINISTRATION**  
**CRAFT CERTIFICATE IN COOPERATIVE MANAGEMENT**

**FINANCIAL ACCOUNTING**

**3 hours**

**INSTRUCTIONS TO CANDIDATES**

*This paper consists of TWO sections; A and B.*

*Answer ALL the questions in both sections A and B in the answer booklet provided.*

*Show all your working.*

*Candidates should answer the questions in English.*

**This paper consists of 6 printed pages**

**Candidates should check the question paper to ascertain that all the pages are printed as indicated and that no questions are missing.**

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**Turn over**

## SECTION A (32 marks)

*Answer ALL questions in the spaces provided.*

1. The following information relates to Hama Limited for the year ended 31 December 2024.

	Ksh
Purchases	480,000
Inventory: 1 January 2024	65,000
31 December 2024	35,000

Determine the rate of stock turnover. (4 marks)

2. List three users of accounting information. (3 marks)

3. Jumala Enterprises has three departments A, B and C whose floor area is 40 m<sup>2</sup>, 35 m<sup>2</sup> and 25 m<sup>2</sup> respectively. The rent paid during the year was Ksh.840,000.

Determine the rent expense to be apportioned to each department. (3 marks)

4. State three features of a non-profit making organisation. (3 marks)

5. State three principles of a co-operative society. (3 marks)

6. During the year ended 31 December 2024, Mona Traders paid rent amounting to Ksh.460,000. Prepaid rent expense as at 31 December 2024, was Ksh.18,000.

Prepare a rent expense account. (4 marks)

7. The following information was obtained from the books of account of Zumo Enterprises for year ended 31 December 2024.

	Ksh
Capital: 1 January 2024	360,000
31 December 2024	490,000
Drawings	50,000

Determine the net profit for the year. (3 marks)

8. List three types of reserves that may be created by a public limited company. (3 marks)

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9. Identify the type of error committed in each of the following accounting entries.
- (i) A payment of rent for Ksh.9,000 in cash had been recorded in the books as Ksh.900.
  - (ii) A cash receipt of Ksh.4,200 cash from Toma had been recorded in the personal account of Thomas.
  - (iii) A payment for motor repairs of Ksh.2,000 has been recorded in motor vehicles account. (3 marks)
10. State three benefits of maintaining control accounts in an organisation. (3 marks)

### SECTION B (68 marks)

*Answer ALL the questions in this section.*

11. (a) Mano and Nzomo are partners in business sharing profits and losses in the ratio 2:3 respectively.

The following information relates to the firm for the year ended 31 December 2024.

	Ksh
Interest on capital:	
Mano	19,000
Nzomo	12,000
Salary: Nzomo	18,000
Net profit	74,000

Prepare an appropriation account for the year ended 31 December 2024.

(8 marks)

- (b) The following is the receipts and payments account for Taranda Social Club for the year ended 31 December 2024.

Receipts and payments account			
	Ksh		Ksh
Balance 1 January 2024	10,000	Furniture	20,000
Subscriptions	466,000	Repairs	164,000
Donations	50,000	Wages	210,000
		Balance 31 December 2024	132,000
	526,000		526,000

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**Additional information:**

Balances as at 31 December:

	2023	2024
	Ksh	Ksh
Equipment	18,000	13,000
Furniture	36,000	44,000
Subscriptions in advance	9,300	5,800

Prepare an income and expenditure account for the year ended 31 December 2024.  
(9 marks)

12. (a) Explain **four** sources of government revenue. (8 marks)

(b) The following information relates to Wema Traders for the month of September 2024.

	Ksh	
Balances as at 1 September 2024		
Debtors	124,000	Dr
Creditors	82,000	Cr

Totals for the month:

	Ksh
Credit sales	4,230,000
Credit purchases	2,400,000
Returns inwards	200,000
Contra settlements	160,000
Cheques issued to creditors	1,426,000
Cash received from debtors	2,900,000

Prepare a:

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

(9 marks)

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13. (a) Explain each of the following accounting concepts:

- (i) Materiality concept;
- (ii) Consistency concept;
- (iii) Prudence concept;
- (iv) Going concern concept.

(8 marks)

(b) The following information relates to Tema Limited for the year ended 31 December 2024.

	Ksh
Retained profit 1 January 2024	212,000
Transfer to general reserves	80,000
Dividends	
- Ordinary shares	158,000
- Preference shares	120,000
Profit before tax	600,000

Corporation tax rate is 30%.

Prepare an appropriation account for the year ended 31 December 2024.

(9 marks)

14. (a) The following information relates to Motor vehicles owned by Beba Transporters.

Registration Number	Date of purchase	Cost Ksh
KX01	1 January 2021	2,400,000
KY02	1 January 2022	3,000,000

Depreciation on the motor vehicles is provided at the rate of 20% per annum on cost.

For each of the years ended 31 December 2021, 2022 and 2023,  
prepare the accumulated provision for depreciation on motor vehicles account.

(8 marks)

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- (b) The following balances were extracted from the statement of financial position of Firm A and Firm B as at 31 December 2024.

	<b>Firm A</b>	<b>Firm B</b>
	<b>Ksh</b>	<b>Ksh</b>
Prepaid insurance	45,000	68,000
Bank overdraft	58,000	35,000
Cash	200,000	150,000
Accounts payable	42,000	65,000
Accounts receivable	30,000	50,000
Inventory	125,000	132,000

- (i) For each firm, determine the:
- (I) current ratio;
  - (II) acid test ratio.
- (ii) Comment on the liquidity of the two firms.

(9 marks)

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