

KASNEB

ATC LEVEL 1

INTRODUCTION TO FINANCIAL ACCOUNTING

TUESDAY: 22 May 2012.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Show ALL your workings.

QUESTION ONE

On 1 January 2012 Innocent Oluoch had the following assets and liabilities:

	Sh.
Cash at bank	210,000
Inventory	400,000
Trade receivables:	
R. Rotich	150,000
P. Njeri	96,000
Trade payables:	
Z. Mwau	130,000
S. Wendo	85,000
Office equipment	420,000
Motor vehicles	3,250,000

The following transactions took place during the month of January 2012:

- January 2: Withdrew Sh.20,000 from bank for business use.
- January 3: Purchased goods from Z. Mwau worth Sh.25,000 on credit.
- January 4: Bought stationery for Sh.3,600 in cash.
- January 8: Received Sh.94,000 from P. Njeri in full settlement less discount of Sh.2,000.
- January 14: Sold goods to R. Rotich for Sh.140,000 on credit.
- January 15: Paid salaries amounting to Sh.8,000 in cash.
- January 17: Paid S. Wendo Sh.60,000 by cheque on account.
- January 18: Returned goods worth Sh.3,000 to Z. Mwau.
- January 20: Bought office equipment for Sh.14,500 on credit from Bora Brothers.
- January 22: Sold all goods at hand and received Sh.125,000 in cash and Sh.500,000 by cheque.
- January 26: Paid Bora Brothers Sh.13,000 in cash.
- January 27: Withdrew Sh.37,000 from the bank for personal use.
- January 30: Paid rent: Sh.16,000 in cash and Sh.18,000 by cheque.

Required:

- (a) Innocent Oluoch's capital balance as at 1 January 2012. (3 marks)
 - (b) Post the transactions to the relevant ledger accounts and close them as at 31 January 2012. (12 marks)
 - (c) Extract the Trial Balance as at 31 January 2012. (5 marks)
- (Total: 20 marks)

QUESTION TWO

- (a) Define the term "accounting concept". (1 mark)
- (b) Differentiate between the following:
 - (i) Reserves and provisions. (2 marks)
 - (ii) Ordinary shares and preference shares. (2 marks)

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