



JOMO KENYATTA UNIVERSITY

OF

AGRICULTURE AND TECHNOLOGY

UNIVERSITY EXAMINATIONS 2016/2017

**FIRST YEAR SECOND SEMESTER EXAMINATIONS FOR THE DEGREES OF
BACHELOR OF SCIENCE IN ACTUARIAL SCIENCE**

STA 2192: ACCOUNTS & FINANCE FOR ACTUARIAL SCIENCE

DATE: JUNE 2017

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES:

- 1. Answer questions ONE (section A) and any two questions in section B*
 - 2. Be neat and show all your workings*
 - 3. All questions except question one carry equal marks*
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This paper consists of 4 printed pages

STACS Examination board 2016/2017

SECTION A [30 MARKS EACH]**QUESTION ONE:**

a) Briefly discuss the following accounting concepts

- (i) Duality
- (ii) Historical cost principle
- (iii) Consistency
- (iv) Substance over form

[2mark]

[2mark]

[2mark]

[2mark]

Identify any TWO source documents of accounting and state their importance.

[2mark]

b) The following transactions relate to Jaime Ltd for the month of January 2013.

Sh.

Balances on 1 December 20x3:

Sales ledger

9,123,000 (debit balance)

211,000 (credit balance)

Purchases ledger

4,490,000 (credit balance)

88,000 (debit balance)

Transactions during the month of December 20x3:

Purchases on credit 18,135,000

Allowances from suppliers £ 629,000

✓ Receipts from customers by cheques £ 27,370,000

✓ Sale on credit £ 36,755,000

Discount received £ 1,105,000

Payments to creditors by cheques £ 15,413,000

✓ Contra settlements 3,046,000

Bills of exchange receivable £ 6,506,000

✓ Allowances to customers £ 1,720,000

✓ Customers cheques dishonoured £ 489,000

✓ Cash received from credit customers £ 4,201,000

✓ Refunds to customers for overpayments £ 53,000

Discounts allowed £ 732,000

Balances on 30 November 1997

Sales ledger

136,000 (credit balance)

Purchases ledger

67,000 (debit balance)

Required

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

[10 marks]

[10 marks]

SECTION B [20 MARKS EACH]**QUESTION TWO**

- a) Ideally, the records as per the bank and the cashbook should be the same and therefore the balance carried down in the cashbook should be the same as the balance carried down by the bank in the bank statement. In practice however, this is not the case. Explain at least FIVE Causes of these differences

(5 marks)

- b) The following is a summary of a cash book as presented by George Ltd for the month of October. Prepare an adjusted cash book and a bank reconciliation statement as at 31 October, 2010 which had a balance of Sh. (1,353,000).

Dr		Cash book		Cr	
	Sh. (000)		Sh. (000)		Receipts
1,469	Balance b/f	554	761		
	<u>2,023</u>		<u>1,262</u>		761
Receipts	1,469 000		<u>2,023</u>		12,62
			Payment	1,262 000	
			Balance c/d	761	

On investigation the following was discovered;

1. Bank charges of Sh. 136,000 in the bank statement have not been reflected in the cash book.
2. Cheques drawn amounting to Sh. 267,000 had not been presented to the bank for payment.
3. Cheques received totaling to Sh. 762,000 had been entered in the cash book but credited by the bank by 3rd November.
4. A cheque for Sh. 22,000 for expenses had been entered in the cash book as a receipt instead of a payment.
5. A cheque received from John for Sh. 80,000 had been returned by the bank and marked "No Funds Available". No adjustment has been made in the cash book.
6. A standing order for business rates of Ksh 150,000 on 30th October had not been entered in the cash book.
7. Dividends of Sh. 62,000 were received and credited directly to the bank account with no entries in the cash book.
8. A cheque drawn for Sh. 66,000 for stationery had been incorrectly entered in the cash book as Sh. 60,000.
9. The balance brought forward in the cash book should have been Sh. 711,000 not Sh. 761,000.

QUESTION THREE

(15 marks)

The following trial balance has been extracted from the ledger of Herbert Howell, a sole trader, as at 31 May 2012, the end of his most recent financial year.

Herbert Howell

Trial Balance As At 31 May 2012

	Dr Ksh	Cr Ksh
Property at cost	90,000	
Equipment at cost	57,500	
Provision for depreciation (as at 1 June 2011)		
Property		12,500
Equipment		32,500
Stock as at 1 June 2011	27,400	
Purchases	259,600	
Sales		405,000 ✓
Discounts allowed	3,370	
Discounts received		4,420
Wages and salaries	52,360	
Bad debts	1,720	
Loan interest	1,560	
Carriage out	5,310	
Other operating expenses	38,800	
Trade debtors	46,200	
Trade creditors		33,600
Provision for bad debts		280
Cash on hand	151	

Bank overdraft		14,500
Drawings	28,930	12,000
13% loan		28,101
Capital, as at 1 June 2011	<u>612,901</u>	<u>612,901</u>

The following additional information as at 31 May 2012 is available:

- (a) Stock as at the close of business was valued at Ksh25,900.
 (b) Depreciation for the year ended 31 May 2012 has yet to be provided as follows:

Property - 1% using the straight-line method
 Equipment - 15% using the straight-line method

- (c) Wages and salaries are accrued by Ksh140.
 (d) Other operating expenses include certain expenses prepaid by Ksh500. Other expenses included under this heading are accrued by Ksh200.
 (e) The provision for bad debts is to be adjusted so that it is 0.5% of trade debtors as at 31 May 2012.
 (f) Purchases include goods valued at Ksh1,040, which were withdrawn by Mr. Howell for his own personal use.

Required:

Prepare Mr. Howell's Statement of comprehensive income for the year ended 31 May 2012 and his Statement of Financial position as at 31 May 2012 (20 marks)

QUESTION FOUR

- a) Evaluate the accounting errors that can be revealed by the use of a trial balance in the accounting system of an accounting entity. Discuss any other types of accounting errors and show how such errors can be detected and corrected. (10 marks)
- b) Differentiate between straight line method and reducing balance methods of depreciation (4 marks)
- c) The financial year of XYZ Ltd will end on 31st December 2006. At 1st January the total cost for the company's equipment was Sh. 135,620 with an accumulated depreciation of Sh. 81,734. During the year XYZ Ltd purchased new equipment costing Sh. 47,800 and sold off an equipment which had a cost of Sh. 36,000 and an accumulated depreciation of Sh. 28,224. The equipment was disposed for Sh. 5,700. No further equipment was acquired or disposed during the year. The policy of the company is to depreciate equipment at 40% using the diminishing balance method.
 Required; Show the following accounts for the year ended 31st December 2006.

- (a) Equipment A/c (b) Provision for depreciation A/c (6 marks)

Equipment 135,620
 Deprec 81,734
 New equipment 47,800

Sold equipment - 36,000