

PROFICIENCY EXAMINATION FOR CLERICAL OFFICERS

APRIL 2021

PAPER CODE: 701

ACCOUNTS

DATE: THURSDAY, JULY 1 2021

TIME: 2:00 PM – 4:00 PM (2 HOURS)

INSTRUCTIONS TO CANDIDATES

1. This paper consists of two sections A and B.
2. SECTION A consists of Twelve compulsory questions carrying 40 marks.
3. SECTION B consists of three compulsory questions each carrying 20 marks.
4. Answer all the questions on the answer booklet provided.
5. Calculators may be used.

SECTION A: COMPULSORY

1. State **two** reasons the cash book is considered a book original entry. **(2 marks)**
2. Name **Four** accountable documents that are used by the cashier. **(4 marks)**
3. State **Four** reasons using of government financial standards codes in the accounting process **(4 marks)**
4. State **two** types of government budget. **(2 marks)**
5. State **two** types of cash vouchers. **(2 marks)**
6. Identify **four** different methods of revenue collection used by your county government. **(4 marks)**
7. State **four** roles of an authority to incur expenditure (AIE holders). **(4 marks)**
8. State **four** types of cash book in accounting. **(4 marks)**
9. State **four** reasons for preparing a bank reconciliation statement in a ministry. **(4 marks)**
10. A clerical officer working in the accounts department has been directed to sort vouchers for filling in a government department. State **Four** ways in which the voucher can be sorted. **(4 marks)**
11. Name **four** types of errors in suspense account. **(4 marks)**
12. Explain the meaning of the term integrated Financial Management information system (IFMIS) as used in government. **(2 marks)**

SECTION B: COMPULSORY

13. a) Mokomoni enterprises has received a bank statement for all the year ended 31st December 2018 and from the following particulars prepare Bank reconciliation statement:

- i. Balance as per Bank book is Kshs. 8,000
- ii. Cheques issued of Kshs. 20,000 and Kshs. 25,000 but presented on 5th January 2019.
- iii. A customer has deposited cash directly into the bank amounting to Kshs. 50,000.
- iv. Bank charges debited by bank amounting to Kshs. 1,050
- v. Cheque received dishonored by the bank amounting to Kshs. 20,000
- vi. Cheque of Kshs 10,000 deposited in the bank on 3rd December 2018, cleared by the bank on 3rd January 2019.
- vii. Closing balance as bank statement Kshs. 51,950.

(12 marks)

b) Explain the roles of suspense account as part of the process to correct unresolved errors detected by a trial balance.

(8 marks)

14. a) The following trail balance has been extracted by the book keeper of Nyamai who owns a small manufacturing business as at 31st December 2019.

Particulars	Dr (Kshs)	Cr (Kshs)
capital		36, 175
Drawings	19,050	
Purchases & Sales	105, 240	168, 432
Stock as at 1 Jul 2018	9,427	
Debtors & Creditors	3,840	5, 294
VAT		5, 294
Returns	975	1,237
Discounts	127	643
Wages & Salaries	30,841	
Motor Vehicle expenses	1,021	
Rent & Rates	8,796	
Heating & lighting	1,840	
Telephone	355	
General expenses	1,752	
Bad debts written off	85	
Motor Vehicle at cost	8,000	
Provision for depreciation on Motor Vehicle		3,500
Shop fittings at cost	6,000	
Provision for depreciation		2,000

on shop fittings		
Provision for bad debts		150
Cash	155	
Bank	21,419	
Total	<u>218,923</u>	<u>218,923</u>

Note as at 31st December 2019

1. Stock was valued at Kshs 11,517
2. Motor Vehicle expenses owing Kshs 55
3. Rent prepaid Kshs 275
4. Depreciate shop fixtures & Fittings at 10% using the straight line method and Motor vehicle at 25% employing reducing balance method.

Required:

Use the trial balance and the accompanying notes above to prepare the following final accounts of the business for the year ended 31st Dec 2019.

- | | |
|----------------------------|------------------|
| a) Gross profit | (2 marks) |
| b) Profit and Loss account | (4 marks) |
| c) Balance sheet | (6 marks) |

b) From the previous question (a) above, explain **four** reasons of preparing final accounting in an organization. **(8marks)**

15. a) The following transaction took place in Kwetu ministry under operating business.

1. Kwetu business started with cash Kshs 10,000
2. Bought goods from Manshar Kshs 5,000
3. Purchases fittings for cash 800
4. Sold goods to Chara Kshs 1,600
5. Paid Manshar Kshs 3,000
6. Sold goods to Ram Kshs 2,000
7. Received from Chara shs 1,540 and allowed him discount of sh.60
8. Paid workers sh. 80
9. Bought goods for cash sh.600
10. Sold goods to Ram sh. 3,400
11. Purchased goods from Chutam sh. 2,600
12. Paid Manshar in settlement shs. 1,900 and allowed discount by him sh.100

Required:

Prepare and create journal entries for the transactions. **(12 marks)**

b) Counties have failed to capitalize on the benefits of tax collection mechanisms provided in the public finance management system in the Kenyan constitution. Explain **four** ways on how these counties can improve their revenue collection.

(8 marks)