

COUNCIL OF LEGAL EDUCATION



DIPLOMA IN LAW (PARA-LEGAL STUDIES)

KENYA SCHOOL OF LAW
LIBRARY

BOOK-KEEPING & ACCOUNTING I

MONDAY 16TH MAY, 2011

DURATION: 2 HOURS

Instructions to Candidates

- (a) Answer Question **ONE** and **ANY OTHER THREE** Questions
- (b) Question **ONE** carries **25 marks**
- (c) All other questions carry **15 marks** each
- (d) Show all your workings

PLEASE TURN OVER

QUESTION ONE

(a) Differentiate between the following terms as applied in book keeping.

- (i) Double entry and single entry
- (ii) Returns outwards and returns inwards
- (iii) Provision for depreciation and provision for bad debts
- (iv) Accounts receivable and bills receivable

{6 marks}

(b) Explain at least THREE main causes of depreciation of non-current assets using relevant examples. {6marks}

(c) From the following trial balance of Kimani firm prepare trading, profit and loss account and balance sheet as at 31 December 2007:

Kimani

	Dr sh '000	Cr sh '000
Sales		400,000
Purchases	350,000	
Sales returns and purchase returns	5,000	6,200
Stock	100,000	
Provision for bad debts		800
Wages and salaries	30,000	
Rates	6,000	
Telephone	1,000	
Shop fittings at cost	40,000	
Vans at cost	30,000	
Debtors and creditors	9,800	7,000
Capital		179,000
Bank balance	30,000	
Drawings	18,000	
	593,000	593,000

Closing stock on 31 December 2007 120 million

Accrued expenses were 5 million

Provision for bad debts to be increased to 10% of debtors

Telephone accounts outstanding shs.220,000

Depreciate shop fittings at 10% p.a. Van at 20%

{13 marks}

QUESTION TWO

Thomas had the following in his balances on 1 January 2008

Lighting and heating	shs.277,000 Dr
Insurance	shs.307,000 Dr

During the year ended 31 December 2008 he had the following concerning the two accounts:

- (i) Fire insurance 960,000 covering the year ended 31 April 2009 was paid.
- (ii) General Insurance shs.630,000 covering the year 31 August 2009
- (iii) Insurance rebate of shs.55,000 was received on 30 June 2008
- (iv) Electricity Bills shs.874,000 were settled
- (v) Electricity bill of shs.83,000 for December 2008 was unpaid as on 31 December 2008
- (vi) Oil bills of shs.1,260,000 were paid
- (vii) Stock of oil as on 31 December 2008 was shs.920,000

Required:

Prepare adjusted accounts for lighting and heating as well as insurance.

{10 marks}

- (b) Explain using relevant examples the accounting treatment of income as well as expenses accrued.

{5 marks}

QUESTION THREE

A machine is bought on 1st January 2005 for shs.10,000,000 and another one on 1 October 2006 for shs.12,000,000. The first machine is sold on 30 June 2007 for shs.720,000. The financial year ends on 31 December using 10% p.a. on cost. Machinery in existence at the end of the year is to be depreciated for a full year. No depreciation is charged on machinery disposed during the year.

Required:

Prepare a profit and loss and balance sheet extracts as well as provision for depreciation accounts for 2005-2007.

{15 marks}

QUESTION FOUR

- (a) Critically explain the role of accounting for at least FOUR users of accounting {8 marks}
- (b) Given the following information:

Creditors	£3950;
Equipment	£11500
Motor vehicle	£6290
Stock of goods	£6150
Debtors	£5770
Cash at bank	£7280
Cash in hand	£40

You are further provided with the following:

Extra equipment of £1380 were bought on credit;
Extra stock of £570 by cheque;
Creditors were paid by a cheque of £790;
Debtors paid £840 by cheque and £60 by cash and
The proprietor put in £250 cash as capital

Draw his balance sheet at the end of the period.

{7 marks}

QUESTION FIVE

Enter up all necessary amounts for the month of May relating to a small printing firm and extract the trial balance as at 31 May 2008:

May	1	Started the firm with capital in cash sh.250,000
	2	Bought goods on credit from Elija sh.54,000, Maina sh.87,000; his/her shs.25,000; Ben sh.76,000; Liz sh.64,000
	4	Sold goods on credit to Benson sh.43,000; Hillary sh.62,000; Spenser shs.176,000
	6	Paid rent cash sh.12,000
	9	Benson paid his account by cheque shs.43,000
	10	Spenser paid by cheque sh.150,000
	12	The firm paid cheque to Gilbert sh.25,000; Elija sh.54,000
	15	Paid damage by cash sh.23,000
	18	Bought goods on credit from Maina shs.43,000; Ben sh.110,000
	21	Sold goods on credit to Hillary sh.67,000
	31	Paid rent by cheque sh.18,000

{15 marks}

QUESTION SIX

- (a) Differentiate between revenue and capital expenditure.
- (b) A business which started on 1 January 2008 adjusted its doubtful debt provision at the end of each year on percentage basis, but each year the percentage rate is adjusted according to the current "economic climate".

The following details are available for three years ended 31 December 2008, 2009 and 2010. The adjustment is made on net debtors balance.

Year	Bad debts written off	Debtors	% provision for bad Debts
2008	656,000	22,000,000	5
2009	1,805,000	40,000,000	7
2010	3,841,000	600,000,000	6

Required:

- (i) Show bad debts accounts for each of the three years. {3 marks}
- (ii) Provision for doubtful debts for each of the three years. {7 marks}
- (iii) Balance sheet extracts as at 31 December 200, 2009 and 2010 {5 marks}

-----END-----

COUNCIL OF LEGAL EDUCATION



DIPLOMA IN LAW (PARA-LEGAL STUDIES)
(1ST YEAR TERM III)

BOOK-KEEPING & ACCOUNTING I

MONDAY 2ND APRIL, 2012

KENYA SCHOOL OF LAW
TOWN CAMPUS LIBRARY

DURATION: 2 HOURS

Instructions to Candidates

- (a) Answer Question ONE and ANY OTHER THREE Questions
- (b) Question ONE carries 25 marks
- (c) All other questions carry 15 marks each
- (d) Show all your workings

PLEASE TURN OVER

QUESTION ONE

a) i) Using relevant examples, discuss **FIVE** users of accounting information. (5 marks)

ii) Differentiate between the following terms applied in book-keeping:

- Carriage on purchases and carriage on sales
- Provision for bad debts and provision for depreciation
- Revenue and capital expenditure

(6 marks)

b) i) On 1st April 2009 Mutisya and Sons started a business with the following assets and liabilities:

	Shs.
Cash on Hand <i>current</i>	108,000
Bank Overdraft <i>non</i>	20,000
ICDC Loan (5 years) <i>Liability</i>	80,000
Stock in Trade <i>current</i>	280,000
Furniture, fittings and fixtures <i>non</i>	60,000
Debtors <i>current</i>	78,000
Creditors <i>Liability</i>	130,000

Assist Mutisya to obtain capital as well as a draft balance sheet.

(4 marks)

ii) Re-write the following Trial Balance correcting any items you consider incorrect.

	Shs.	Shs.
Cash in Hand	17500	
Bank Overdraft	30000	
Discount allowed		20000
Purchases	255000	
Sales		415000
Furniture & Fittings ✓	✓	100000
Motor vehicles	215000	
Capital	125000	×
Returns Outwards	12500	×
Drawings	×	35000
Loan repaid during the year	✗	15000
Discount received	10000	
Advertising	27500	/
Stationery	17500	
Debtors	50000	
Creditors	—	<u>100000</u>
	<u>760000</u>	<u>760000</u>

(10 marks)

QUESTION TWO

The following balances stood in the ledger of Mweni on 31 December 2010.

	Shs.
EW Cash in hand	10800
EW Cash at Bank	38790
EW Petty cash in hand	1350
Stock 1.1.2010	54000
NON Motor vehicles	270000
EW Sundry debtors	147150
LiA Sundry creditors	119340
Purchases x	351900
x Purchases returns	14400
x Sales	789300
x Sales returns	15300
x Carriage in	6750
E Carriage out	7875
Income <u>Discount received</u>	15750
E Discount allowed	12600
E Rent and rates	36000
E Wages and salaries	162000
E Printing and stationery	33300
Drawings Liability	22500
E Telephone & Telegraph	5625
NON Office equipment Ass	90000
NON Furniture Ass	67500
E Electricity	6525
E Water	575
E Bank charges	540
E Insurance	16200
E Motor vehicles expenses	25200
E General office expenses	19350



Required :

Prepare income statement and Balance Sheet.

(15 marks)

QUESTION THREE

a) The following balances remained in the books of Mr. Wathidi a practicing lawyer in the city.

	31.12.10	31.12.11
Insurance in advance (shs)	5000	5600
Wages due	15800	14200

Required:

- i) Motor vehicles account (3 marks)
- ii) Provision for depreciation accounts (8 marks)
- iii) Balance sheet extracts (4 marks)

✓ QUESTION SIX

June Mwhiki opened a small business in Gukomba on 1 October 2010. Her transaction for October were as follows:

October

- 2 Opened bank account deposited Kshs.150000 and retained Sh.50000 in cash
- 2 Paid rent in cash Sh.13000 *Rent, cash ✓*
- 3 Purchased goods for Sh.160000 from Marwa Co. on credit *Purchase, Marwa ✓*
- 4 Sold goods for Sh.260000 in cash *sales, cash ✓*
- 5 Banked Sh. 230000 *Bank, cash ✓*
- 9 Purchased some office furniture Sh.150000 by cheque *furniture, purchase, Bank ✓*
- 11 Purchased goods for Sh.130000 from Mwango paid half of the amount by cheque *Purchase, Mwango ✓*
- 12 Sold goods worth Sh.126000 on credit to Mbaya Exporters *sales, Mbaya ✓*
- 13 Mbaya Exporters returned goods worth Sh. 16000 and were given a credit note for the same
- 16 Received cheque of Sh.60000 from Mbaya Exporters *bank, Mbaya ✓*
- 19 Purchased goods for Sh.19000 on credit from S. Omollo *purchase, somollo ✓*
- 21 Sold goods of Sh15000 on credit to B Boutique *sales, B. ✓*
- 23 Paid Marwa & Co. Sh.144000 in full settlement of amount owed to them by cheque *Marwa, Bank ✓*
- 24 Withdrew cash Sh.16000 for personal use *Bank ✓*
- 26 Bought goods Sh.18000 and paid by cheque *Purchase, Bank ✓*
- 27 B Boutique paid by cheque Sh.13500 in full settlement of their debt *B. Bank ✓*
- 28 Paid by cheque Mwango Drapers less 10% discount *Mwango, Bank ✓*
- 29 Paid salaries Sh.15000 and paid water bill by cheque *Bank, salaries ✓*

Required:

Relevant entries in ledger books.

$$\frac{10}{100} \times 130000 = 13000$$

(15 marks)

KENYA SCHOOL OF LAW
TOWN CAMPUS LIBRARY

KENYA SCHOOL OF LAW



DIPLOMA IN LAW (PARA-LEGAL STUDIES)
(1ST YEAR TERM III)

BOOK-KEEPING & ACCOUNTING I

MONDAY 8TH APRIL, 2013

DURATION: 2 HOURS

Instructions to Candidates

- (a) Answer Question **ONE** and **ANY OTHER THREE** Questions
- (b) Question **ONE** carries **25 marks**
- (c) All other questions carry **15 marks** each
- (d) Show all your workings

PLEASE TURN OVER

QUESTION ONE

- (a) i) Robert Kamanda has just passed the Bar exam and started practising law. Below are his first month's transactions.

June	1	Began business by investing \$5000 cash and land with a value of \$4500
	4	Purchased \$750 worth of supplies on account
	9	Paid rent for the month \$300
	15	Received \$1100 for legal fees
	17	Paid salaries for the month \$1900
	21	Purchased printing equipment for \$1000 cash
	24	Paid \$500 on account
	27	Withdrew \$500 for personal expenses
	29	Made improvements to land, paying \$1500 cash
	31	Supplies on hand \$400

Required:

Assist Kamanda to record transactions effects and confirm that the accounting equation holds. (Do not open ledger for debits or credits).

(5 marks)

- ii) Discuss the main causes of depreciation of a firm's assets.

(5 marks)

- (b) The books of Kimeu, a retailer had the following balances in March 2011

	Dr' Shs	Cr' Shs
Capital		21,600
Cash in Hand	5,120	
Cash at Bank	12,750	
Stock (1.4.2010)	44,000	
Office Furniture	22,000	
Premises at cost	400,000	
Motor vehicles at cost	80,000	
Sundry debts	64,000	
Provision for bad debts		4,000
Sundry creditors		53,200
6% loan from IDB, 5 years		50,000
Sales		787,400
Purchases	357,500	
Returns in and out	1,020	2,500
Discounts	1,370	6,880
Carriage in	3,500	
Carriage out	1,870	
Electricity and light	5,700	
Wages	13,540	

Bad debts	4,600	
Drawings	18,000	
Rent & Insurance	10,440	
General expenses	6,290	
Salaries	57,800	
Office equipment	<u>10,000</u>	<u> </u>
	<u>1,119,980</u>	<u>1,119,980</u>

Additional information as at 31/2/2011

- Stock was Sh.122400
- Of the rent and insurance Sh.7000 was prepaid for insurance while the rent Sh.6000 for February and March was still outstanding
- Write off a further 4800 as additional bad debts

Prepare income statement and balance sheet as at 31.03.2011

(15 marks)

QUESTION TWO

(a) i) Differentiate between the following terms in book keeping:

- Provision and depreciation
- Capital and revenue expenditure
- Personal accounts and nominal accounts

(3 marks)

ii) At the beginning of the year 1 January 2010 the balance brought forward from the previous year for provision for doubtful debts in the books of A. Kerre was Sh.14,000. The following information was provided in regard to the year ended 31 December 2010.

Bad Debts written off - Sh5600
 Debtor after bad debt written off – Sh360000
 Provision on debtors for doubtful debts is 5%

Required:

- The bad debts accounts for the year ended 31/12/2010
- Provision for doubtful debts account and an extract of the financial statements

(5 marks)

(b) Three accounts of Mukhwana had the following balances on 1 January 2010:

- Insurance paid in advance – Sh.5620
- Wages outstanding – 3060
- Rent receivable, received in advance – sh.360

During 2010:

He paid for insurance 10,190 by bank standing order; paid 150000 wages in cash and received 26000 rent by cheque from a tenant.

Required:

Insurance, wages and rent receivable accounts as well as income statement and balance sheet extracts. (7 marks)

QUESTION THREE

Jane Mwhaki opened a small business in Gikomba on 1 October 2011. Her transactions for the month of October were as follows:

October	2	Opened a bank account and deposited Sh.150,000 and retained Sh.50,000 in cash
	2	Paid rent in cash Sh.13000
	3	Purchased goods for Sh.160,000 from Marwa on credit
	4	Sold goods for Sh.260,000 in cash
	5	Banked Sh.230,000
	9	Purchased some office furniture for Shs.150,000 and paid by cheque
	11	Purchased goods for Sh.130,000 from Mwango Drappers and paid half the amount by cheque
	12	Sold goods worth Sh.126,000 on credit to Mbaya Exporters
	15	Mbaya Exporters returned goods worth Sh.160,000 and were given a credit note for the same
	16	Received cheque of Sh.60,000 from Mbaya
	19	Purchased goods for Sh.19,000 on credit from S Omollo
	21	Sold goods of Sh.15,000 on credit to B X Botique
	23	Paid Marwa and Co. Sh.144,000 in full settlement of the amount owed to them by Cheque
	24	Withdrew cash Sh.16,000 for personal use
	26	Bought goods for Sh.18,000 and paid by cheque
	27	B X Boutique paid by cheque Sh.13,500 in full settlement of their debt
	28	Paid by cheque Mwango Drappers debt
	31	Paid salaries Sh.15,000 and water bills Sh.1700 by cheque

Required:

Ledger accounts and trial balance 31/10/2011

(15 marks)

QUESTION FOUR

- a) A company maintains its fixed assets at cost. Depreciation provision accounts for each asset are kept. As at 31 December 2008 the position was as follows:

	<u>Total Cost to date</u>	<u>Total Depreciation to date</u>
Machinery	\$5290	25670
Office furniture	2860	1490

The following additions were made during the financial year ended 31 December 2009:

Machinery \$2480; Office furniture \$320; some old machines bought in 2005 for \$2800 were sold for \$800 during the year. Their rates of depreciation are: Machinery 10%; Office furniture 5% using straight line basis, calculated on the assets in existence at the end of each financial year respective date of purchase.

Required:

Show asset, provision for depreciation and extracts of financial statements as at 31 December 2009.

(11 marks)

b) Discuss at least two advantages and disadvantages of straight line approach to depreciation.

(4 marks)

QUESTION FIVE

(a) i) Explain the difference between book keeping and accounting.

(2 marks)

ii) What are the benefits of double entry?

(3 marks)

(b) Discuss the relevance of book keeping in a legal practice firm, using suitable illustrations of your choice.

(10 marks)

QUESTION SIX

(a) Using relevant examples explain the meaning of the following types of accounts:

(i) Personal Accounts

(2 marks)

(ii) Real Accounts

(1 mark)

(iii) Nominal Accounts

(2 marks)

(b) The agreement of a trial balance is not sound-proof of the accuracy of book-keeping. Discuss

(5 marks)

(c) What are the limitations of a balance sheet?

(5 marks)



KENYA SCHOOL OF LAW



DIPLOMA IN LAW (PARA-LEGAL STUDIES)

1ST YEAR TERM III

BOOKKEEPING AND ACCOUNTING 1

MONDAY 31ST MARCH 2014

DURATION: 2 HOURS

Instructions to Candidates

- (a) Answer Question **ONE** and **ANY OTHER THREE** Questions
- (b) Question **ONE** carries **25 marks**
- (c) All other questions carry **15 marks** each
- (d) Show all your workings

PLEASE TURN OVER

1. QUESTION ONE (25 MARKS)

(a) (i) Explain the following terms as used in Book Keeping:

- Real Accounts;
- Nominal Accounts;
- Personal Accounts; and
- Impersonal Accounts.

(4 marks)

(ii) Discuss the uses of accounting information in a legal firm of your choice.

(3 marks)

(iii) Using relevant examples explain how you would record the following items to show their effect in business income:

- Prepaid expenses;
- Outstanding income; and
- Doubtful debts.

(3 marks)

(b) Momanyi had the following balances on 1st January, 2012:

		Kshs.
Cash at bank		686,000
Stock in trade		916,000
Furniture and Fittings		396,000
Sundry debtors	- Gladys	36,000
	- Stephen	78,000
	- Mutua	52,000
Sundry Creditors	- Winnie	24,000
	- Neema	42,000

The following transactions took place during the month of January; All through the bank account. No cash account was maintained:

		Kshs.
1 st January Sold goods to Stephen on credit	-	248,000
5 th January Paid wages	-	24,000
6 th January Bought goods on credit from Winnie	-	300,000

8 th January Gladys settled her account		
9 th January paid amount owing to Neema		
10 th January cash sales banked	-	128,000
13 th January Paid wages by cheque	-	28,000
17 th January bought goods for cash	-	150,000
18 th January Paid Winnie the balance in her account		
19 th January bought new office desk by cheque	-	64,000
20 th January paid wages	-	34,000
23 rd January cash sales banked	-	220,000
24 th January paid office expenses	-	6,000
25 th January paid on account	-	50,000
26 th January cash sales banked	-	168,000
27 th January paid wages by cheque	-	30,000
30 th January cash sales banked	-	60,000

Required: Enter the transactions in ledger and prepare trial balance as at the end of January.

(15 marks)

2. QUESTION TWO – 15 MARKS

(a) Explain at least five main causes of depreciation.

(5 marks)

(b) (i) A firm acquired a lorry at Kshs. 1 million with a depreciation expected to be charged at 15% p.a. on reducing balance basis. The lorry is to be sold after 3 years at Sh.750,000. Calculate and record depreciation charges at the end of the first five years. Prepare income statement extracts and balance sheet extracts over the period in question. Show the provision for depreciation amount and disposal amount for the lorry.

(8 marks)

(ii) Explain two factors that you would consider when determining the useful life of an asset.

(2 marks)

3. QUESTION THREE (15 MARKS)

(a) (i) Distinguish between revenue and capital expenses using relevant examples.

(3 marks)

- (ii) From the following information construct the combined rent and rates accounts for the year ended 30th June 2011 showing the figures that would appear for rent and rates in income statement as well as balance sheet as at 30th June, 2011.

The property of the business was rented at Sh.1.6 million per annum payable quarterly in arrears on the usual quarter days. The rates were Sh.600,000 per annum payable on half yearly in advance on 1st October and 1st April in each year. The rent was one quarter in arrears on 30th June, 2010 and the rates for the half year to 30th September, 2010 had not been paid. The following transactions took place during the year to 30th June, 2011.

2010

July 2nd cash – one quarter rent to 24th June, 2010

July 2nd cash – half years rent to 30th September, 2010

October, 10th cash – half year's rate to 31st March, 2011

October, 10th cash – one quarter rent to 29th September, 2010

2011

January 4th – cash – one quarters rent to 25th December 2010

April 6th – cash – half year's rates to 30th September, 2011

April 6th – cash – one quarters rent to 25th March, 2011

(8 marks)

- (b) Migiro had the following balances on 31st December, 2013:

	Shs.
Cash	- 1,750,000
Stock	- 5,250,000
Owed by customers	- 3,340,000
Owed to suppliers	- 2,980,000
Business premises	- 9,000,000
Loan from Wiki	- 3,000,000

On the first week of January 2014, the following transactions took place:

- January, 1st Purchased on credit a computer for office use Shs.50,000
- January, 2nd received Shs.190,000 from a customer
- January 3rd paid a supplier Shs.670,000
- January 4th purchase stock on credit Shs.260,000
- January 5th sold goods that had cost Shs.350,000 for Shs. 530,000
- January 6th repaid Wiki Shs.1,000,000 of the balance due to him (ignore interest)
- January 7th withdrew stock costing Sh.100,000 for private use.

Redraft his balance sheet as at 7th January, 2014.

(4 marks)

4. **QUESTION FOUR (15 MARKS)**

The following trial balance was extracted from Musyoki as at 31st December, 2010:

	Shs. '000	Shs.'000
Purchases and Sales	54,520	79,060
Salaries	8,760	
Rates	1,170	
Office expenses	3,950	
Motor expenses	3,790	
Capital 1.1.2010		13,640
Freehold properties at cost	7,500	
Furniture & Fittings at cost	2,000	
Motor cars at cost	6,300	
Accumulated depreciation		
Freehold properties		450
Furniture & Fittings		800
Motor Cars		2,370
Stock at 1.1.2010	6,740	
Drawings	4,800	
Provision for doubtful debts		600
Loan		4,000
Debtors and Creditors	9,240	10,040
Bank Balance	<u>2,190</u>	<u> </u>
	<u>110,960</u>	<u>110,960</u>

Additional information

- Stock at 31st December Shs.7,330,000
- Rates paid in advance 31st December Shs.250,000
- Provision for doubtful debts 5% of debtors as at 31st December
- Provide depreciation on cost, ignoring scrap value:
 - Freehold properties 1%
 - Furniture & fittings 10%
 - Motor Cars 20%
- Provide for interest on loan 5% p.a.

Required: Income statement and balance sheet as at 31st December, 2010.

5. **QUESTION FIVE (15 MARKS)**

Maina started up a butchery business on 1st March 2010:

1st March he borrowed Shs.10,000 from his father and paid the money into a business bank account.

2nd March, made cash sales totaling to Shs.8,000

3rd March, made cash purchases at Shs. 6,000

4th March, bought delivery bicycle at Shs.240

6th March, made credit purchases Shs.4,000 and by the end of the month had paid all but Sh.1,000 of this amount.

7th March, made credit sales Shs.7,600 and at the end of the month debtors still owed Sh.3,400 of this amount.

8th March, received a legacy of Shs.2,000 and paid this into the business

9th March, paid for electricity one month Shs.180

10th March Drew Shs.240 for personal use.

Required: Record all the transactions in the books and extract trial balance at the end of the period.

6. **QUESTION SIX (15 MARKS)**

- a) (i) The year end balance on debtors account amounted to Shs.100,000. Net sales for the year was Shs.1,200,000. Explain how you would deal with the following using figures where possible:

- An analysis of sales ledger interests irrecoverable debts amount to Shs.11,400
- The past trends suggest that a 5% debts eventually should be provided as doubtful
- The existing provision for doubtful debts is Shs.3,000.

- (ii) Using all the information in (a) (i) above prepare extracts for provision for doubtful debts accounts for 3 years assuming the information above remained constant for 3 years.

Also prepare balance sheet extracts and income statement.

(9 marks)

- (a) Explain how failure to deal with defaulting debtors may distort the measurement of income and value of assets in a given form.

(6 marks)