

THE KENYA SCHOOL OF LAW



DIPLOMA IN LAW (PARA-LEGAL STUDIES)

2ND YEAR TERM I EXAMINATION

BOOK KEEPING & ACCOUNTING II – PTP-200

15TH FEBRUARY 2021

DURATION: 2 HOURS

Instructions to Candidates

- i. Answer Question **ONE** and **OTHER THREE** other Questions
- ii. Question **ONE** carries **25 Marks**
- iii. All other questions carry **15 Marks** each
- iv. Show All your workings

PLEASE TURN OVER

QUESTION ONE

- a) i) Explain at least four errors that are disclosed by the trial balance. (4marks)
ii) What are the advantages of self balancing ledgers? (4 marks)
- b) i) The following figures were extracted from the books ABC Ltd for the month of June 2014

Purchases ledger balances 1.6.14	980 Dr
	184600 Cr
Sales ledger	47600 Dr
	1350 Cr
Credit sales	68940
Credit purchases	39400
Cash sales	20600
Returns inwards	4400
Returns outwards	2500
Receipts from trade debtors	52600
Payments to trade creditors	38640
Discount received	4750
Discount allowed	6990
Bad debts written off	1240
Interest charged to debtors	360
Debtors cheques dishonoured	870
Purchases ledger creditors transferred to sales ledger	1230
Purchases ledger balances	480 Dr
Sales ledger balances	1690 Cr

From the above information prepare debtors ledger control accounts for the month. (12 marks)

- (ii) Discuss the use of at least five books of original entry in a legal firm of your choice. In your discussion ensure that you include:

- Purpose of the book
- Example of transaction
- Advantage of the books

(5 marks)

QUESTION TWO (15 MARKS)

Gideon Kageya commenced business on July 2019 with Sh. 12,720 cash in hand and a bank overdraft of Sh. 13,392. His transaction for the month were as follows:

	<u>Cash Receipts</u>	Shs.
July 16	Sales	47376
17	Sales	23520
21	Drew cheque for official use	9600
29	Sold old office desk	3600

<u>Cash Payments</u>		
July 4	Purchases	6000
7	Assistants wages	2400
9	Drew for private use	2400
10	Stationery	3408
16	Banked	35000
23	Wages	4800
31	Water	720
31	Wages	2400
<u>Bank Receipts</u>		
July 2	Loan from a friend	48000
6	Sales	81256
10	S Mbatia	13440
16	Cash banked	36000
<u>Bank Payments</u>		
July 5	Office desk	4800
11	Motor repairs	4800
15	Waigwa M.	37200
20	Purchases	51744
21	Madulu M.	24000
21	Office cash	9600
27	Office rent	3600
28	Insurance	4800
31	Electricity	1200
31	Drew for own use	4800

S Mbatia was allowed cash discount Shs. 960 and a cash discount of Shs. 1200 was received from Waigwa

Required:

Cashbook duly balanced on 31.7.2019 (10 marks)

Explain five advantages of books of original entry. (5 marks)

QUESTION THREE (15 MARKS)

- a) i. You have been recruited in a legal firm, your supervisor has requested that you set up a documentation flow chart to assist your organization on book keeping matters. Describe how you will go about this exercise including the main source documents required and logical flow of transactions in your firm. (10 marks)
- ii. Explain at least **three** advantages of the imprest system and **two** disadvantages of the system. (5 marks)

QUESTION FOUR (15 MARKS)

- i. The Bank Statement of water traders showed a balance of Sh. 264,300 while the bank column of the cash book showed a balance of Sh. 247,500 as at 31 October 2018 on rechecking records the following were not properly recorded in the books.
- ii. Cheques drawn by the trader amounting to Sh. 114,400 had not been presented to the bank.
- iii. Cheques and cash amounting to Sh. 155,660 banked on 30 October 2018 had not been credited by the bank.
- iv. Bank charges amounted to Sh. 12,500 they have not been posted in the by the bank.
- v. Standing orders of Sh. 25,000 have been paid by the bank.
- vi. The credit side of the cash book had been undercast by Sh. 9000.
- vii. Instruction to transfer Sh. 150,000 from the savings account to current account has not been effected in the cashbook.
- viii. A cheque of Sh. 18,500 banked on 28 October 2018 has been dishonoured but the information was not received by the trader until 3 November 2018.
- ix. A cheque of Sh. 74,000 drawn by the trader has been posted as 47000 in the cash book.

Required:

- i. Bank reconciliation statement as at 31 October, 2018 (12 marks)
- ii. Explain benefits of bank reconciliation statement. (3 marks)

QUESTION FIVE (15 MARKS)

- a) Identify and explain at least four errors not disclosed by the trial balance. (4 marks)
- b) A book keeper extracts a trial balance in the books of S. Wewmba which fails to agree by Sh 7070. He places the difference on the credit side of the suspense account and proceeds to prepare draft income statement for the year ended 31 May 2020 which results to a net profit of Sh. 5000. Later he attempts to find the errors which caused the difference. Investigations revealed the following:
 - i. Sales day book was undercast by Sh. 10000.
 - ii. Discount received of Sh.1080 from Amin Suppliers, a supplier had been correctly entered in the cashbook but not posted to the account of Amin Suppliers.
 - iii. Purchases day book has been undercast by Sh. 5850.
 - iv. Sh. 2200 received from a debtor had been debited to his account.
 - v. Discounts allowed Sh. 200 have been posted to the credit side of discount received account.
 - vi. Discount allowed of Sh. 500 has not been entered in discount allowed column of the cash book, instead the sales have been recorded in the cash column as Sh. 10000 (including discount allowed) while the customers' account has been correctly credited with the discounts and cash received.

Required:

- i. Journal entries to correct the above errors. (7 marks)
- ii. Suspense account duly balanced. (4 marks)
- iii. A statement of corrected Net profit. (4 marks)

QUESTION SIX (15MARKS)

- a) Explain at least five advantages of control accounts. (5 marks)
- b) J Njuguna maintains a petty cash book on the imprest system. The imprest being Sh. 30000. The following transactions took place in April 2019.

- April 1 - Received imprest from the cashier Sh. 30000
- 2 - Bought postage stamps of 2000
- 6 - Paid Sh. 4000 for Peters account in purchases ledger
- 7 - Bought stationery 5000
- 8 - Paid travelling allowance to S Otieno an employee Sh 4000
- 10 - paid window cleaning expenses Sh. 6000
- 12 - paid Lenana's account in the purchases ledger Sh. 5000
- 14 - paid subscription for trade association Sh. 2000
- 17 - Paid office cleaning expenses sh. 2000
- 18 - Received Sh. 30000 from the cashier
- 19 - Paid S Obeno for travelling expenses Sh. 10000
- 22 - Bought electric light bulbs Sh. 2000
- 25 - Paid Lenana's account in the purchases ledger Sh. 2500
- 26 - Paid travelling expenses Sh. 1000
- 27 - Paid for sugar, tea and milk Sh. 3000

Required:

Enter transactions into a petty cashbook under analysis column: Postage and stationery, travelling expenses, cleaning expenses, sundries and ledger columns. Balance the cash book showing the reimbursement required to restore the imprest and balance brought forward at 1 May 2019. (10 marks)

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