

THE KENYA SCHOOL OF LAW



DIPLOMA IN LAW (PARA-LEGAL STUDIES)

2ND YEAR TERM I EXAMINATION



BOOK KEEPING AND ACCOUNTING II – DPS 200

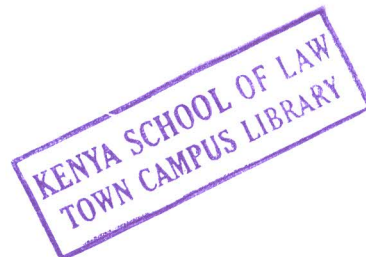
1ST AUGUST, 2016

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

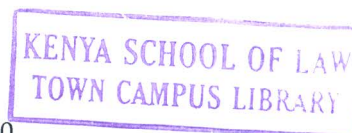
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Question One:

- (a) Using legal terms of your choice, explain the use of any five source documents, including the principal components of each document. (5 Marks)
- (b) (i) What are the main causes of differences between the cash book bank balance and bank statement balance? (5 Marks)
- (ii) Explain the main uses of control accounts. (4 Marks)
- (c) J. Njuguna maintains a petty cash book on imprest system. The imprest is Shs.30,000. The following transactions took place in April, 2014.

April 1 Received imprest form the cashier of Ksh.30,000
April 3 Bought postage stamps of Shs. 2,000
April 6 Paid Sh. 4,000 for Peter's account in purchases ledger
April 7 Bought stationery of Shs. 5,000
April 8 Paid travelling allowance to S. Otieno, an employee Sh.4000.
April 10 Paid window cleaning expenses Shs. 6000
April 12 Paid Lenancies account in purchases ledge Shs. 5,000
April 14 Paid subscription for trade association Shs.2000
April 18 Received Shs. 30,000 from cashier
April 19 Paid S. Otieno for travelling expenses Shs. 10,000
April 22 Bought electric light bulbs Shs. 2,000
April 24 Paid Lenancies accounts in the purchase ledger Shs. ,2500
April 26 Paid travelling expenses Shs.1,000
April27 Paid for sugar, tea and milk Shs. 3,000



Required:

- (i) Enter the transactions into a petty cash book under analysis column; postage and stationery, travelling expenses, cleaning expenses, sundries and ledger column.
- (ii) Balance the cashbook showing the reimbursement required to restore the imprest and the balance brought forward as at 1st May, 2014.

(11 Marks)

Question Two:

On 30th April, the cash book of Ahmed Mwanaume showed a debit balance of Shs. 35,000. His bank statement for April showed a credit balance of Shs. 41,750 on the same day.

- (i) The bank deducted Shs. 1,250 being cheque book and ledger fees. Also the bank had paid his landlord for office rent of Shs. 10,000; motor insurance Shs. 8,750 as per his standing order. Ahmed did not enter those into cash book.
- (ii) On 15th April, the bank credited his account with Shs. 2,500 being dividends on shares held in Wanawake Enterprises by Ahmed and also Shs. 2,500 being quarterly interest on fixed deposit. All these were unknown to Mwanaume.
- (iii) A debtor paid Shs. 5,000 directly in to Mwanaume's bank account, a fact unknown to him.
- (iv) The following cheques paid out to creditors did not appear on the bank statement sheet:

- Cheque No. 824691 - Shs.25,000
- Cheque No. 824693 – Shs. 27,500
- Cheque No. 824,791 – Shs. 4,250

- (v) The following cheques deposited on 30th April did not appear in the bank statement sheet;
- AC – 005461, Shs.10,000 and
 - VCH - 011583 Shs.30,000.

Required:

Mwanaume's updated cashbook and bank reconciliation statement.

(15 Marks)

Question Three:

The trial balance extracted from the books of George Oyando on 31st December, 2015 showed debit totals of Shs. 491,400 and credit totals of Shs. 440,400. The income statement revealed a gross profit of Shs. 143,000 and a net profit of Shs. 36,000. A careful reexamination of the books revealed the following errors:-

- Sales day book was overcast by Shs. 10,000.
- Goods costing Shs. 3,000 had been taken by Oyando for his personal use. No record was made on this fact.
- Cash discount amounting to Shs. 5,000 for carriage on sales was debited on carriage inwards account.
- A balance of Shs. 1,000 in personal account of M. Mogere, a debtor was not included in the list of total debtors in the trial balance.
- During the year Mr. Oyando sold his private farm for Shs.50,000 and paid the proceeds to the firms bank account.
- A new warehouse was built at a total cost of Shs. 50,000 including material costing Shs. 35,0000 and labour Shs. 15,0000 material used were journalized through purchases book and wages paid were debited to ordinary wages account.

Required:

Suspense account duly balanced, journal entries and a statement of recomputed Net and Gross profit.

(15 Marks)

Question Four:

- Describe at least FIVE errors not disclosed by a trial balance. (5 Marks)
- Given the following figures, prepare debtors and creditors control accounts:
 - Purchases ledger balances 1 June, 2015 - Dr. 350 Cr: 18,460
 - Sales Ledger balances 1st June, 2015 – Dr. 47,600 Cr. 1,350

Credit purchases 39,4000, credit sales 68,940, cash sales 68,940, cash purchases 20,600, returns inwards 4,400 Returns outwards 2,500 receipt from trade debtors 52,600, payment to trade creditors 38,640, returns outwards 890, discount received 4,750, discount allowed 6,990, bad debts written off 1,240, interest charged to debtors 360, debtors cheques dishonored 870, purchases ledger credit

transferred to sales ledger 1,230, purchases balances 30th June, 2015 Dr. 480 sales ledger balances Cr.1,690.

(10 Marks)

Question Five:

- (a) Explain the documentation flow chart including every stage involved from requisition of goods. (10 Marks)
- (b) Explain the merits of self-balancing ledgers. (5 Marks)

Question Six:

- (a) C. Phillips a sole trader specializing in material for Asian clothing had the following purchases and sales for March, 2016.

March 1	-	Bought from Smith stores, silk 400, cotton 800. All less 25% trade discount.
March 8	-	Bought from Gruntly, Iyora goods 280, woolen items 440. No trade discount.
March 15	-	Sold to A Henry; silk 360, Iyora 1140, cotton 1200. All less 2% trade discount.
March 23	-	Bought from C. Kelly; cotton 880, Iyora 520. All less 25% trade discount.
March 24	-	Sold to Sangster; Iyora 270 less 33 1/2% trade discount.

Required:

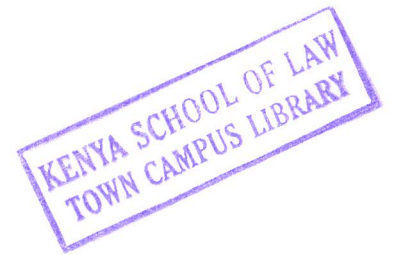
Prepare purchases and sales ledgers. (10 Marks)

- (b) Explain the merits of an imprest system. (5 Marks)

END

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DIPLOMA IN LAW (PARALEGAL STUDIES)

BOOK KEEPING AND ACCOUNTING **II**

DATE: 10TH AUGUST, 2015

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.

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QUESTION ONE (25 MARKS)

a) The following balances were extracted from the books of B Patel, a sole trader as at 1st October, 2014.

	Kshs.
Stock	2,895,000
Debtors – Bopan lal	1,643,500
Intenria	281,000
Creditors- Silky Drappers	1,045,000
Pick Up	415,000
Shop Fittings	252,500
Bank Overdraft	865,000
Cash in Hand	50,000

B. Patel allows 10% cash discount on all credit sales settled within a month. Its suppliers also allow a 15 % cash discount on all accounts settled within a month. The following transactions took place in the month of October 2014.

- 2 October Bought on credit from Silky drappers textile materials worth Kshs. 1,345,000
- 4 October Made the following sales on credit; Kamani Kshs. 923,500, Henrica Kshs. 183,000 made cash purchased amounting to Kshs.18900.
- 5 October Bought on credit from Manu goods worth Kshs.498,000.
- 6 October Sold on credit to Bopan lal goods worth Kshs. 550,000.
- 8th October Received a cheque from Bopan lal for the full amount owed at the beginning of the month less 10% discount.
- 9 October Paid by cheque full amount owed to Silky Drappers at the beginning of the month less 15% discount.
- 12 October Sold Henrica goods worth Kshs. 435,200 on credit.
- 15th October Returned goods worth Kshs. 18,500 for cash Bought stationery worth Kshs. 3,500 for cash.
- 16 October Withdrew Kshs. 30,000 in cash for personal use. Transferred Kshs.300,000 from the bank to cash account.
- 21 October sold goods on credit to Mohammed shah for Kshs.1 1541,000.
- 23 October Received a cheque from Kamani in settlement of Kshs.923,500 debt pass 10% cash discount.
- 25 October Sold goods on credit to Kamani for Kshs. 633,000.
- 26 October Bought goods on credit from Silky Drappers for Kshs. 1,145,000.
- 28 October sold goods on credit to Hanrica for Kshs. 338,0000. Made cash sales amounting to Kshs. 218,500. Received a cheque form Henrica in settlement of Kshs. 281,000 debt less 10% discount.
- 29 October Paid salaries amounting to Kshs. 230,0000 in cash. Paid rent amounting to Kshs. 30,0000 in cash.

(20 Marks)

Required:

- (i) Opening capital as at 1 October 2014
 - (ii) Three column cash book as at 31 October 2014.
- b) Discuss the main advantages of imprest system to a small legal firm recently opened in your county.

(5 Marks)

QUESTION TWO

A trainee accountant working for Juma Mamboleo has prepared the following summary cash book for the month of March 2009.

Cash book	Kshs.		Kshs.
Opening Bal b/d	561,000	Payments	4,189,000
Receipts	3,748,000	Closing Bal c/d	120,000
	4,309,000		4,309,000

While checking the cashbook against the bank statement the following discrepancies were observed.

- (i) Bank charges Kshs. 8,000 shown in the bank statement have not been entered in the cashbook.
- (ii) The bank debited a cheque of Kshs. 37,000 in error to the accountants of Juma Mamboleo.
- (iii) Cheques totaling to Kshs. 96,0000 have not yet been presented to the bank for payment.
- (iv) Dividends received of Kshs. 42,0000 have been credited on the bank statement but not on Juma Mamboleo's cashbook.
- (v) Three cheques were received of Kshs. 484,0000 which were entered in the cashbook but not yet credited by the bank.
- (vi) A cheque for Kshs. 17,000 had been returned by the bank marked refer to drawer
- (vii) Opening balance in the cash book should have been Kshs. 651,000 and not Kshs. 561,000.
- (viii) The bank statement shows that there is an overdraft at 31 March 2008 of Kshs. 198,000.

Required:

Updated cashbook as well as necessary entries to correct it and the Bank reconciliation statement on 31 March 2009.

(15 Marks)

QUESTION THREE

From the following transactions prepare total creditors and debtors control accounts for the month ended 30 April 2010.

	Kshs.
Credit Balances 1.4.2010 - Sales Ledger	154,000
- Purchases Ledger	569,000
Debit balances 1.4.2010 – Sales Ledger	956,000
- Purchases Ledger	196,000
Credit balances 30.4.2010 – Sales ledger	178,000
Debit balances 30.4.2010 – Purchases Ledger	189,000
Credit purchases	2,450,000
Credit Sales	4,563,000
Cheques received from debtors	3,140,000
Cash received from debtors	1,367,000
Cheque payment to creditors	1,994,000
Cash payment to creditors	352,000
Bad debts written off	6,800
Discounts received	104,000
Discount allowed	169,000
Contra entries to sales ledger from purchases ledger	234,000
Returns outwards	138,000
Refund to debtors	62,000
Return inwards	231,000

QUESTION FOUR

(a) Explain at least five source documents relevant to a legal practice firm.

(5 Marks)

(b) Returns to suppliers for Mungatana's business are as follows:

- 11 April 2013 Debit note 001 purchases returns to Unga Ltd Kshs. 555,000.
- 10 April, 2013 Debit note 232 purchases returns to Pembe Kshs. 536,000.
- 18 April, 2013 Debit note 434 Purchases return to Mumias Kshs. 567.
- 24 April, 2013 Debit note 065 purchases returns to Sony Sugar Kshs. 533.

The credit purchases for the period amounted to Kshs. 1,024,000 of which cash paid was Kshs. 3,050,000 outstanding creditors at the beginning of the period was Kshs. 1,150,000.

Returns from customers of Mungatana business were as follows:

- 1 April, 2013 Credit note No. 001 sales returns by Uchumi Kshs. 150,000.
- 5 April, 2013 Credit note No. 002 sales returns by Nakumatt Kshs. 130,000.
- 16 April, 2013 Credit note No. 005 sales returns by School Kshs. 345,000.
- 21 April, 2013 Credit note No. 004 sales returns by Tinga Kshs. 275,000.

Credit sales for the period amounted to Kshs. 16,650,000 of which cash paid was Kshs. 4,300,000 outstanding debtors at the beginning of the period were Kshs. 1,300,000.

Required: Purchase and sales return journals entries?

(10 Marks)

QUESTION FIVE

- a) Name and explain five types of errors not disclosed by the trial balance. (5 Marks)
- b) The trial balance of forma did not balance as at 30 April, 2015. The difference was put in suspense account and the final accounts prepared by them showed a net profit of Kshs. 64,000.

During an audit the following errors were noted:

- (i) A loan from ADB bank of Kshs. 10,000 was entered correctly in the cashbook but not posted in the ledger.
- (ii) A cheque of Kshs. 4,000 for rent received was not entered in the book.
- (iii) Closing stock was overvalued by Kshs. 1,500.
- (iv) Discount allowed of Kshs.500 was entered in the discount received account.
- (v) The opening stock was understated by Kshs. 3,200.
- (vi) Prepaid insurance of Kshs. 220 had been included in the profit statement(income statement)
- (vii) Goods destroyed by fire amounting to Kshs.12,000 were written off in the income statement however the insurance company has agreed to compensate full amount.

Required: Journal entries, statement of corrected profit and suspense account.

(10 Marks)

QUESTION SIX

Your supervisor requires a documentation flow chart of source documents in your firm and has asked you to conduct a seminar explaining all these details,. Describe how you will undertake this activity explaining all the relevant issues.

(15 Marks)

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DIPLOMA IN LAW (PARALEGAL STUDIES)

BOOKKEEPING AND ACCOUNTING II

4TH AUGUST, 2014

DURATION: 2 1/2 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

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1. a) Using a legal firm of your choice describe how the following source documents are applicable to bookkeeping:

- (i) Purchase order
- (ii) Advice Note
- (iii) Delivery note
- (iv) Goods received note
- (v) Credit note

(5 Marks)

b) i) Explain at least four advantages of using a petty cash system in an organization.

(4 Marks)

(ii) Mark Oduor is a sole trader in a business known as Oddy traders. He keeps his petty cash on an imprest system, amount being Sh.20,000. The following are the petty cash transactions for the month of March 2014.

		Shs.
March 1	Petty cash in hand	2,575
March 2	Petty cash restored from imprest	?
March 3	Paid wages	2,989
March 9	Cost of email	1,358
March 13	Paid Wages	2,920
March 15	Bout foolscap paper	1,545
March 19	Paid wages	2,970
March 21	Bought postage stamps	1,210
March 24	Paid wages	2,998
March 26	Paid to Karen, a creditor	1,176
March 30	Bought envelopes	970
March 31	Petty Cash reimbursed	?

Required:

Write up the petty cashbook to record the above transactions.

(7 Marks)

c) (i) Differentiate between the following books of original entry.

Purchases journal and sales returns journal and purchases return journal.

(3 Marks)

(ii) Provide examples of three errors that do not affect the trial balance.

(3 Marks)

d) What are the main causes of differences between cash balance in bank statement and the cash balance in the cashbook?

(3 Marks)

2. a) Why do we need self balancing ledgers? What advantages accrue to a firm using these types of ledgers?

(4 Marks)

b) The following figures were extracted from the books of ABC Ltd for the month of June 2014.

		Shs.
Purchases Ledger balances	Dr	350
	Cr	18,460
Sales Ledger balances	Dr	47,600
	Cr	1,350
Credit Purchases		39,400
Credit Sales		68,940
Cash Sales		20,600
Cash purchases		4,400
Returns inwards		2,500
Returns outwards		890
Receipt from trade debtors		52,600
Payment to trade debtors		38,640
Accounts Received		4,750
Discount allowed		6,990
Bad debts written off		1,240
Interest charged to debtors		360
Debtors cheques dishonored		870
Purchases ledger credits transferred to sales ledger		1,230
Purchases ledger balances 30 th June	Dr	480
	Cr	1690

Required:

Prepare debtors ledger and creditors ledger control accounts for the month of June, 2014

(11 Marks)

3. The trial balance extracted from the books of Stephen Lubanga on 31st December, 2014 failed to agree with the debit side exceeding the credit side by Shs.17,100. The income statement was drawn upon the basis of the erroneous trial balance and revealed a gross profit of Shs.171,400 and a net profit of Shs.33,400. Later it was discovered that:

- (i) Sales book was overcast by Shs.10,000
- (ii) Rent and rates included in the payment of Shs.112,000 made to the landlord of the house occupied by one of his wives
- (iii) An invoice of Sh. 2,500 received for credit purchase of a type writer was entered in the purchase book.
- (iv) An invoice of Sh.13,700 issued to Samuel, was not posted to his personal account.
- (v) Goods costing Sh.2,500 were returned to KNTC. The entry was made on the credit side of the personal account of KNTC.
- (vi) During the year Lubanga sold his firm for Sh.35,200 and paid in the proceeds to the business bank account. The fact was recorded in the cashbook only.
- (vii) Discount allowed Sh.7,200 had been credited to discount received account while discount received Sh.12,500 had been debited to discount allowed account.

Required:

- a. Journal entries to correct the errors.
- b. Show suspense account fully balanced.
- c. Compute the correct gross and net profit figures.

(15 Marks)

4. The following information was provided for the month of March, 2013.

- March 1 Balance brought forward: cash Sh.23,000 Bank Shs.475,600
- March 2 The following paid three accounts by cheque, that is, each case deducting 5% discount Buyoyi Sh.14,000, Lamech Sh.22,000 and Hamisi Shs.30,000.
- March 4 Paid rent by cheque Shs.12,000
- March 6 Coco lent us Sh.100,0000 paying by cheque
- March 8 We paid the following accounts by cheque in each case deducting 2½ % cash discount, Binya Shs.36,000, Tasha, Shs.48,000 Romanya Shs.80,000.
- March 10 Paid motor expenses in cash Sh.4,400
- March 12 Handi pays his account of Shs.7,000 by cheque Shs.7,400, deducting cash discount.
- March 15 Paid wages in cash Shs.16,000
- March 18 The following paid their amounts by cheque in each case deducting % cash discount, Wanyama Shs.26,000; Wanyu and sons Shs.34,000 and Wasitu Sh.46,000.
- March, 21 Cash withdrawn from the bank Shs.35,000 for business use.
- March 24 Cash drawings Sh.12,000
- March 25 Paid Buyoyi Shs.14,000 in cash Sh.13,300 having deducted Sh.700 cash discount.
- March 29 Bought fixtures paying by cheque Shs.65,000
- March 31 Received commission by cheque Sh.8,800

Required:

Write up three (3) column cash book.

(15 Marks)

5. On 30th April the cash book of Ahmed Mwanaume showed a debit balance of Sh.35,000 and his bank statement showed a credit balance of Shs.41,750 the same day.

- i) The bank had deducted Sh.1,250 being cheque book and ledger fees. Also the bank had paid his landlord for office rent of Sh.10,000; motor insurance Sh.8,750 as per his standing order. Ahmed Mwanaume did not have these items in his cashbook.
- ii) On 15th April the bank credited his account with Sh.2,500 being dividends on shares held in Wanawake enterprises by Ahmed and also Sh.2,500 being quarterly interest on fixed deposit. All these things were unknown to Mwanaume.
- iii) A debtor paid Shs.5,000 directly in Mwanaume bank account, a fact unknown to him.
- iv) The following cheques paid out to creditors did not appear on the bank statement sheet

Cheque No 824691	Shs.25,000
Cheque No.824693	Shs.27,500
Cheque No. 824791	Shs.4,250

- v) The following cheques deposited on 30th April did not appear on the bank statement sheet.

AKC – 005461 - Shs.10,000
VCH – 011583 - Shs.30,000

Required:

Corrected cashbook and bank reconciliation statement.

- 6. a) Explain at least **FIVE** advantages of using books of original entry and two disadvantages of the books. (7 Marks)
- b) Provide a detailed documentation of a flow chart explaining how source documents are interrelated using a firm of your choice. (8 Marks)



KENYA SCHOOL OF LAW



DIPLOMA IN LAW (PARA-LEGAL STUDIES)
(2ND YEAR TERM I)

BOOK-KEEPING & ACCOUNTING II

MONDAY 5TH AUGUST, 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

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QUESTION ONE

- (a) i) Discuss the rationale of control accounts. (4 marks)
ii) Identify at least four source documents and explain how they could be relevant to a legal firm. (4 marks)
- (b) i) Gideon Maina commenced business on July 1, 2012 with shs.12,720 cash in hand and a bank overdraft of shs.13,392. His transactions for the month were as follows:

July	2	Loan from a friend in favour of a cheque Kshs.48,000
	4	Purchases in cash Ksh.6,000
	9	Drew money for private use Kshs.2,400 cash and also bought office desk by a cheque Kshs.4,800
	11	Stationery cash Kshs.3,408, motor repair cheque of Kshs.4,800 and received a cheque of Kshs.13,440 from Semata
	16	Cash receipt of sales Kshs.47,376, Banked shs.36,000
	17	Paul Waigwa cheque of Kshs.37,200, Cash receipt of sales Kshs.23,520
	20	Purchases of Kshs.51,744 cheque, drew a cheque of Kshs.9,600 for office use and paid Maduli Kshs.24,000 as well as office cash of Kshs.9,600
	23	Paid wages Kshs.4,800
	27	Sold old office desk Kshs.3,600 cash, paid office rent Kshs.3,600 and insurance Kshs.4,800 all in cash.
	31	Paid electricity Kshs.4,800 cash for his own use.

The only discount allowed was Kshs.960 for Sembata and a cash discount of Kshs.1,200 was received from Waigwa.

Required:

Cash book for the month.

(10 marks)

ii) On 30th April, the cashbook of Ahmed Mwanaume showed a debit bank balance of Kshs.35,000. His bank statement for April showed an overdraft of Kshs.41,750 on the same day.

- The bank had deducted shs.1250 being cheque book and ledger fees. Also the bank had paid his landlord for office rent shs.10000; motor insurance shs.8750 as per his standing order. He had not included these on his cashbook.
- On 15th April the bank credited his account with shs.2500 being dividends on shares held in Wanawake enterprises by Ahmed and also shs.2500 being quarterly interest on fixed deposit. All these were unknown to Mwanaume.
- A debt paid shs.5000 directly in Mwanaume's bank account a fact unknown to him.
- The following cheques paid out to creditors did not appear on the bank statement sheet.

Cheque No. 824691	shs.25000
Cheque No.824693	shs.27500
Cheque No.824791	shs.4250

- The following cheques were deposited on 30/4 on bank statement
AKC – 005461 shs.10000 and VCH – 011583 shs.3000

Required:

Bank reconciliation for Mwanaume.

(7 marks)

QUESTION TWO

- (a) Mwangi Partners are worried that even though their trial balance is balancing there could be some errors that exist. After external auditors warning they contacted you to explain some possible errors. Guide the firm. **(6 marks)**
- (b) The trial balance extracted from the books of George Onyando on 31 December 2011 with net profits of shs.48,330.

A careful re-examination of the books showed the following errors and omissions:

- He took goods costing shs.2000 for his personal use on 30th November 2012. No entry had been made in the books to record these;
- During the year he made regular drawings of shs.11000 per month from the business bank account. All these were debited to salaries account.
- Both the sales day book and sales return book have been overcast by shs.5000
- A credit note of shs.12100 received from a supplier was entered in the appropriate subsidiary book as 11200
- A purchase of a second hand computer was debited to office expense account. It had cost shs.13000
- Rent of shs.11500 still uncollected from tenants had not been taken into account
- Stock on 31 December 2011 was undervalued by shs.11700

Required:

Correction of all the errors, suspense account duly balanced and correct project results.

(9 marks)

QUESTION THREE

- (i) Explain the main sources of information for control account. **(4 marks)**
- (ii) Basil Ltd keeps control accounts in its books. The accountant has supplied the following information:

Balances as at 1.10.2012		Shs.
Sales ledger	-	Debit balances
		356000

	- Credit balances	78000
Purchases	- Credit balances	424000
	- Debit balances	86000

Transactions during the year:

Sales on credit	9,548,000
Purchases on credit	8,472,000
Returns inwards	245,000
Returns outwards	349,000
Cheques received from customers	7,242,000
Cheques paid to suppliers	6,940,000
Cash paid to suppliers	940,000
Cash received from customers	104,000
Bad debt paid off	8,000
Discount allowed to customers	69,000
Discount received from suppliers	76,000
Credit purchases off-set against credit/sales	254,000
Balances as at 31/10/2012	
Sales ledger credit	89,000
Purchase ledger debit	92,000

Required:

Sales and purchases ledger control.

(11 marks)

QUESTION FOUR

Ouma Musa carries business dealing with sale of household goods. His total balances for the year ended 31/12/2011 were as follows:

	Dr' Shs'000	Cr' Shs'000
Motor vehicle	3000	
Fixtures	2000	
Stock 1/1/11	1000	
Sales and purchases	7000	15000
Rent	1000	
Salaries and Wages	1000	
Electricity	500	
Telephone	400	
Motor vehicle expenses	500	
Discounts	600	500
Returns	1000	500
Debtors and Creditors	4000	3000

Cash	2000	
Bad debts	500	
Provision for bad debts		500
Drawings	1000	
Capital		6000
	-----	-----
	25500	25500
	=====	=====

Additional information:

- Rent outstanding at the end of the year amounts to shs.200000
- Salaries and wages paid in advance amount to shs.100,000
- Accrued electricity shs.50000
- Prepaid telephone bill shs.100000
- Stock 31/12/11 amount to shs.3 million
- Provision for bad debts is set at 10% of debtors
- Depreciation to be provided on motor vehicles and fixtures at 10% and 20% respectively on cost.

Required:

Statement and balance sheet.

(15 marks)

QUESTION FIVE

- (a) Define the term bank reconciliation statement and indicate its three functions. (9 marks)
- (b) Jabali has two accounts A and B with different banks. Shs.200000 in account A and an overdraft of shs.90000 in account B. However, the bank statements obtained on the same day showed different balances on the two accounts. Further investigations reveal the following information:
- A deposit of shs.60000 made into account A on 1 March 2013 has been entered into the cash book of account B.
 - A withdrawal of shs.20000 and shs.30000 deposited in account A on 9 March 2013 were entered in the cashbook in account B. The entry for this dishonoured cheque has been entered in the cashbook in account B.
 - Cheques for shs.40000 and 50000 drawn in accounts A and B respectively on 30 March 2013 were not paid by the bank until April 5 2013.
 - Withdrawal charges of shs.400 and shs.1000 charged in accounts A and B had not been entered in the cashbook.
 - The bank has credited an interest of shs.2000 for accounts A and has debited bank charges of shs.1500 for account B. The transactions had not been entered in the bank in account B.
 - A cheque for shs.3500 drawn in account A on 30 March 2013 in payment of an electricity bill has been entered in the cashbook as shs.5300.

Required:

Adjustments in both cashbooks and bank reconciliation statements for both A and B.

(6 marks)

QUESTION SIX

(a) Discuss at least eight source books with relevant and appropriate structures in which they can be utilized by a legal firm. **(8 marks)**

(b) Explain the relevance of all prime books in paralegal practice today. **(7 marks)**

COUNCIL OF LEGAL EDUCATION



DIPLOMA IN LAW (PARA-LEGAL STUDIES)

BOOK-KEEPING & ACCOUNTING II

TUESDAY 23RD AUGUST, 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) (i) Distinguish between the following terms in Book-Keeping:

- Goods received note and an invoice
- Credit note and Debit note
- Advice note and Delivery note
- Purchase order and Statement of Account

{8 marks}

(ii) Explain briefly the meaning of the following terms in connection with double entry book-keeping:

- Dishonored cheques
- Overbanking
- Short banking
- Bank charges

{4 marks}

(b) A trader keeps his petty cash on the imprest system, the amount being Shs.5,000. On 1st December 2009, the balance of petty cash in hand is Shs.5,000. During the month of December the following amounts were paid out of petty cash:

December	Shs.
3 Wages	560
5 Postage stamp	140
8 Envelopes bought	120
12 Paid to Asanyo, a creditor	400
15 Telegrams	120
17 Wages	560
21 Stationery	340
27 Paid Chrispinus Omolo, a creditor	780
29 Postage stamps	160
31 Wages	560

Required:

The wages, postage and telegraph, stationery and creditors ledger to enter the transactions in a petty cash book duly balanced showing a receipt of cash to restore the balance to the imprest amount.

State at least four advantages of an imprest system.

{13 marks}

QUESTION TWO

The bank statement of Water Meters showed a balance of 264,300 while the bank column of the cash book showed a balance of Shs.247,500 as at 31 October, 2008. On checking the records, the following items were not properly recorded in the books:

- (i) Cheques drawn by a trader amounting to Shs.114,400 had not been presented to the bank.
- (ii) Cheques and cash amounting to Shs.155,600 banked on 30 October 2008 had not been credited by the bank.
- (iii) Bank charges amounted to Shs.12,500. This was not posted in the cashbook.
- (iv) Standing Orders of Shs.25,000 have been paid by the bank but have not been posted in the cash book.
- (v) The credit side of the cash book had been under cast by Shs.9,000.
- (vi) Instruction to transfer Shs.150,000 from the savings account to current account has been effected in the cashbook.
- (vii) A cheque of Shs.18,500 banked on 28 October, 2008 has been dishonored but the information was not received by the trader until 3 November 2008.
- (viii) A cheque of Shs.74,000 drawn by a trader has been posted as 47,000 in the cashbook.

Required:

Adjusted cashbook and a bank reconciliation statement.

{15 marks}

QUESTION THREE

The trial balance extracted from the books of Christopher Okondo failed to agree, with its credits exceeding the debits by some amount. A careful examination revealed the following:

- (i) An office desk bought for Shs.9,800 was journalized through purchases journal.
- (ii) A discount of Shs.3,800 allowed by a supplier was debited in the Discounts Allowed Account in the ledger.
- (iii) The trader had taken goods worth Shs.10,000 from the business for his own use but there was no record of this in the books.
- (iv) Shs.9,250 paid to Kaloli Mwanzia in respect of goods taken on credit earlier was debited to the account of Kolianga Mwanzia.
- (v) While a cash sales of Shs.11,600 was posted to the sales account as Shs.11,760 the purchases day book was overcast by Shs.100.
- (vi) A petty cash book balance of Shs.2,600 was omitted in the trial balance.

Required:

Correct the errors, prepare a suspense account duly balanced and show the original difference in trial balance.

{15 marks}

QUESTION FOUR

The sales ledger debit and credit balances on 1-10-2009 were Shs.227,200 and Shs.420 respectively while the credit and debit balances in the purchases ledger were Shs.1270 and Shs.147,200. In the year to 30-9-10 credit sales were Shs.402,120; credit purchases Shs.160,560; sales returns Shs.2,120, purchases returns Shs.4,500; cash payment to creditors Shs.222,700; bad debts written off Shs.4,700; cash received from debtors Shs.411,000; dishonored cheques Shs.9,000; carriage charged to customers Shs.3,600; discount allowed Shs.20,110, discount allowed on dishonored cheques Shs.450; balances transferred in sales ledger to purchases ledger Shs.200; debtors balance were Shs.206,160 and Shs.540 on the debit and credit sides while creditors had a balance of Shs.83,115 and Shs.825 for debit and credit respectively.

Required:

- (i) Sales and purchases ledger control accounts.
- (ii) Explain the benefit of control accounts to a business.

{15 marks}

QUESTION FIVE

The following information was provided in the month of March 2010:

- March 1 The balance brought forward: cash Shs.23,000 bank Shs.475,600
- 2 The following paid in their accounts by cheque; in each case deducting 5% discount: Boyoyi Shs.14,000; Tamara Shs.22,000; Hamisi Shs.30,000
- 4 Paid rent by cheque Shs.12,000
- 6 Coco lent us Shs.100,000 by cheque
- 8 We paid the following by cheque in each case deducting a Shs.2½% cash discount: Binya Shs.36,000; Tasha Shs.48,000; Romnya Shs.80,000
- 10 Paid motor expense in cash Shs.4,400
- 12 Handi pays his account Shs.7,700 by cheque Shs.7,400 deducting cash discount
- 15 Paid wages in cash Shs.16,000
- 18 The following paid in their accounts by cheque in each case deducting 5% cash discount: Wanyama Shs.26,000; Wanju & Sons Shs.34,000;

- Wasitu Shs.46,000
- 21 Cash withdrawn from the bank Shs.35000 for business use
- 24 Cash drawings of Shs.12,000
- 25 Paid Buyoka his account 14.600 in cash 13,300 having deducted a discount of Shs.700
- 29 Bought fixtures by Cheque Shs.65,000
- 31 Received commission by cheque Shs.8,800

Required:

Three (3) column cashbook and relevant discount accounts in the general ledger.

{15 marks}

QUESTION SIX

- (a) Wakili Junior has been pursuing book keeping and accounts at his law school. In the course of this programme he has learnt about subsidiary books including journal proper.

Explain using at least four books, how the course will assist Wakili junior in his practice.

{6 marks}

(b)

- (i) What are the main benefits of control account to a firm? **{3 marks}**
- (ii) Discuss any three errors that do not affect the trial balance. **{6 marks}**

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COUNCIL OF LEGAL EDUCATION



DIPLOMA IN LAW (PARA-LEGAL STUDIES)

KENYA SCHOOL OF LAW
LIBRARY

BOOK-KEEPING & ACCOUNTING II

MONDAY 4TH OCTOBER, 2010

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

A blue ink scribble consisting of several overlapping, circular and linear strokes, located at the bottom center of the page.

QUESTION ONE

(a) (i) Briefly describe the following documents commonly used in business transactions.

- Purchase credit note
- Credit note
- Debit note

{6 marks}

(ii) Miss Wambua, a motor car dealer, had the following transactions in the month of August:

August 1	Bought a car from K. Omari and paid for it by cheque	Ksh.204,000
3	Sold a car on credit to Mr. Kiprono	Ksh.252,000
10	Bought office typewriter from Okalo	Ksh.9,000
20	Sold a car to a Marenya on credit	Ksh.240,500
21	Bought a car from Wangwe on credit	Ksh.212,500
21	Sold a car to Lena Laboso and received spot cash	Ksh.297,500
31	Bought additional machine from Mukuna on credit	Ksh.11,200

Required:

Assist Miss Wambua with relevant entries in the subsidiary books and post them to cash book balance.

{6 marks}

(b) (i) Explain **FOUR** main causes of differences between the bank balance and the cash book balance.

{4marks}

(ii) What are the main benefits of maintaining control accounts.

{3marks}

(c) Some book-keeping errors are said to affect the agreement of a trial balance while others do not. Explain **THREE** main examples of each.

{6 marks}

QUESTION TWO

Mark Oduor is a sole trader in a business known as Oddy Traders. He keeps his petty cash on an Imprest System, amount being Kshs.20,000. The following are petty cash transactions for the month of March, 2009.

March		Kshs.
1	Petty cash in hand	2575
2	Petty cash restored to Imprest System	?
5	Paid wages	2989
9	E mail expenses	1358
13	Paid wages	2920
15	Ream of foolscap	1545
19	Paid wages	2970
21	Postage stamps	1210
24	Paid wages	2998
26	Paid to Karen, a creditor	1176
30	Bought envelopes	970
31	Petty cash reimbursement	?

Required:

Write up petty cashbook to record the above transactions showing the entries restoring the petty cash imprest amount. Your analysis column should show

- (i) Wages
- (ii) Postage and telegrams
- (iii) Stationery
- (iv) Ledger

{15 marks}

QUESTION THREE

The trial balance extracted from the books of Lubanga failed to agree, with the debit side exceeding the credit side by Kshs.17000. The trading, profit and loss account was drawn on the basis of the erroneous trial balance and revealed a gross profit of 171, 400 and a net profit of Kshs.33,400. Later it was discovered that:

- (i) Sales day book was overcast by Kshs.10,000
- (ii) Rent and rates included a payment of ksh.12,000 made to the landlord of the house occupied by one of Lubanga's wives
- (iii) An invoice of Kshs.2,500 received for the credit purchase of a typewriter was entered in the purchases book
- (iv) An invoice of Kshs.13,700 issued to Samuel, was not posted to his personal accounts
- (v) Goods costing Kshs.2,500 were returned to Migwi traders. The entry was made on the credit side of the personal accounts of Migwi
- (vi) During the year Lubanga sold his farm for Kshs.32,500 and paid in the proceeds to the business bank account. This fact was recorded only in the cashbook

- (vii) Discounts allowed, Kshs.7,200 had been credited to discounts received account while discounts received, Kshs.12,500 had been debited to discounts allowed account

Required:

Journal entries, suspense account and a statement of corrected gross and net profit

{15 marks}

QUESTION FOUR

Basil keeps control accounts to display both creditors and debtors over a given period. The following balances were available on 1st October, 2009.

Balances as at 1 October 2009	Kshs.
Sales ledger – debit balances	356,000
credit balances	78,000
Purchases - credit balances	424,000
debit balances	86,000
Transactions during the year	
Purchases on credit	8,472,000
Sales on credit	9,548,000
Returns Inwards	245,000
Returns outwards	349,000
Cheques received from customers	7,242,000
Cheques paid to suppliers	6,940,000
Cash paid to suppliers	94,000
Cash received from customers	104,000
Bad debts written off	8,000
Discounts allowed to customers	69,000
Discounts received from suppliers	76,000
Credit purchase offset against credit sales	254,000
Balances as at 31 October, 2009	
Sales ledger credit balance	89,000
Purchases ledger debit balance	92,000

Required:

Sales and purchases ledger control accounts.

{15 marks}

QUESTION FIVE

The bank statement of Wakili showed a balance of Kshs.264,300 while the bank column of the firm showed a balance of Kshs.247,500 as at 31 October 2008. On checking the records, the following items were not properly recorded in the books.

1. Cheques drawn by Wakili amounting to Kshs.114,000 had not been presented to the bank
2. Cheques and cash amounting to Kshs.155,600 banked on 30 October, 2008 had not been credited by the bank
3. Bank charges amounting to Kshs.12,500 have not been posted to the cash book
4. Standing orders of Kshs.25,000 have been paid and not posted in the cashbook
5. The credit side of the cash book was undercast by Kshs.9,000
6. Instructions to transfer Kshs.150,000 from savings account had not been effected in the cashbook.
7. A cheque of Kshs.18,500 banked on 28 October, 2008 had been dishonoured but the information was not received by Wakili until 3 November, 2008
8. A cheque of Kshs.74,000 drawn was posted as Kshs.47,000 in the cashbook

Required:

Bank reconciliation statement

{15 marks}

QUESTION SIX

- (a) With relevant examples from Kenyan firms, discuss at least five books of original entry.

{10 marks}

- (b) Write short notes on the following source documents.

- | | | |
|-------|-----------------------|-----------|
| (i) | Statement of accounts | {2 marks} |
| (ii) | Goods received note | {2 marks} |
| (iii) | Invoice | {1 mark} |

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