

THE KENYA SCHOOL OF LAW



DIPLOMA IN LAW (PARA-LEGAL STUDIES)

2<sup>ND</sup> YEAR TERM II EXAMINATION

BOOK KEEPING & ACCOUNTING I – PTP-204

28<sup>th</sup> March 2022

DURATION: 2 HOURS

**Instructions to Candidates**

Answer Question ONE and OTHER THREE other Questions

Question ONE carries 25 Marks

All other questions carry 15 Marks each

Show All your workings

PLEASE TURN OVER

## QUESTION ONE

- a) i. Differentiate between the following terms as applied in accounting
- Real and Nominal Accounts (2 marks)
  - Contra entry and double entry (2 marks)
- ii. Explain atleast four errors that can be disclosed by a trial balance. (4 marks)

b) ABS assets and liabilities as at 1 January were as follows:

Assets	\$
Cash at Bank	686
Stock in Trade	916
Furniture & fittings	396
Sundry debtors	
Gumo	36
Sharon	78
Mutua	52
His liabilities	
Wambua	24
Nyaga	42

The following transactions took place during the month of January; all transactions through the bank:

Jan 1	Sold goods to Sharon on credit	\$ 248
5	Paid wages	\$ 24
6	Bought goods on credit from Wambua	\$300
8	Gumo settled his account and paid all the money	
9	Paid amount owing to Nyaga	
10	Sales	\$128
13	Paid wages	\$ 28
17	Bought goods	\$150
18	Paid Wambua the balance on his account	
19	Bought a new office desk	\$ 64
20	Paid wages	\$ 34
23	Sales	\$ 220
24	Paid office expenses	\$ 6
25	Sharon paid him	\$ 50
26	Sold goods	\$ 168
27	Paid wages	\$ 30
30	Sold goods	\$ 60

Required:

- a) Enter the transactions in the ledger and prepare the trial balance as at 31<sup>st</sup> January 2021. (10 marks)
- b) Discuss the relevance of book keeping and accounts to legal firms in Kenya. (7 marks)

## QUESTION TWO

Otieno Kamau is a Kenyan wholesaler. A trial balance extracted from his books on 31 December 2019.

	Sh'000	sh '000
Capital		112,000
Purchases & sales	92,400	157,240
Premises at cost	64,000	
Motor vehicles at cost	30,000	
Accumulated depreciation – motors		8,200
Fixtures & fittings at cost	6,500	
Accumulated depreciation fixtures		1,100
Motor expenses	7,300	
Rates	2,300	
Bank balance	4,200	
Drawings	9,600	
Trade debtors	2,000	
Provision for doubtful debts		560
Sundry expenses	16,200	
Long term loan		20,000
Stock 1.1.2019	19,250	
Cash in hand	<u>350</u>	<u>          </u>
	<u>314,100</u>	<u>314,100</u>

The following information was available as at 31 December 2019

- Stock at 31 December was 22,400,000
- There were wages and salaries on Sh. 1,200,000 owing.
- There was a payment of shs. 1,200,000 on 30<sup>th</sup> September to cover for 12 months insurance.
- On reviewing debtors, it was discovered that a debt of shs. 80,000 would not be recovered and that a further shs. 12,000,000 was doubtful.
- Depreciation is 25% reducing balance on motors and 10% straight line on fixtures and fittings.
- Loan interest at 10% has not been allowed for.

### Required:

Income statement and statement of financial position as at 31/12/2019

(15 marks)

## QUESTION THREE

- Identify four (4) errors that cannot be disclosed by the trial balance and show how you can correct them. (4 marks)
- An accounts clerk extracts a trial balance in the books of S. Wemba which failed to agree by shs. 7070 and places the difference on the credit side in the suspense account and then proceeds to prepare a draft income statement which ended with a net profit of shs. 5,000. Later he attempts to find errors which had caused the difference, investigations revealed the following:

- i.
- ii. Sales day book was undercast by shs. 10,000
- iii. Discount received of shs. 1,080 from Amin suppliers, a supplier had been correctly entered in the cashbook but had not been posted to the account of Amin suppliers.
- iv. Purchases day book has been undercast by shs. 5,850
- v. Shs. 2,200 received from a debtor had been debited to his account.
- vi. Discount allowed shs. 200 has been posted to the credit side of discount received account.
- vii. Discount allowed shs. 500 has not been entered in the discount allowed column in the cash book, instead the sales have been recorded in the cash column as shs. 10,000 (including the discount allowed) while the customer account has been correctly credited with the discounts and cash received.

**Required:**

- a) Pass the journal entries to correct the above errors and suspense account duly balanced. (7 marks)
- b) A statement of corrected net profit. (4 marks)

**QUESTION FOUR**

The following information was provided in the month of March 2021:

March 1	Balance brought forward Cash sh. 23,000 Bank shs. 475,000
March 2	The following paid their accounts by cheque on each case deducting 5% cash discount R Boyoyi shs. 14,000 E. Tamara shs. 22,000 and R. Hamisi shs. 30,000
March 4	Paid rent by cheque shs. 12,000
March 6	J Coco lent us shs. 100,000 paying by cheque
March 8	We paid the following accounts by cheque in each case deducting a 2 1/2% cash discount. N. Binya shs. 36,000, P. Tasha shs. 48,000, C. Romanya shs. 80,000
March 10	Paid motor expenses in cash shs. 4,400
March 12	H Hande pays his account of shs. 7,700 by cheque shs. 7,400 deducting a cash discount
March 15	Paid wages in cash shs. 16,000
March 18	The following paid their accounts by cheque in each case deducting 5% cash discount; C. Wanyama shs. 26,000, R. Wanji & Sons shs. 34,000, H Wasitu shs. 46,000
March 21	Cash withdrawn from the bank shs. 35,000 for business use.
March 24	Cash drawing shs. 12,000
March 25	Paid T. Buyokhu his account shs. 14,000 in cash, shs. 13,300 having deducted shs. 700 cash discount
March 29	Bought fixtures paying by cheque shs. 65,000
March 31	Received commission by cheque shs. 8,800

**Required:**

- 3 Column cashbook duly balanced. (15 marks)

### QUESTION FIVE

- a) Identify four (4) reasons for depreciation. (4 marks)  
b) The following relates to machines acquired by AB between 2013 and 2015

Machine	Date of Purchase	Cost	Date of Disposal	Disposal Proceeds
MA 1	1 January 2013	5,000,000	1 <sup>st</sup> January 2015	
MB 2	1 January 2013	2,500,000		900,000
MC 3	1 January 2015	1,000,000		

The machines are depreciated on a straight line basis using a rate of 20% p.a

#### Required:

Write up the following accounts as they would appear in the firm books of accounts for the years 2013, 2014 and 2015

- a) Machine at cost account (2 marks)  
b) Provision for depreciation (5 marks)  
c) Disposal accounts (4 marks)

### QUESTION SIX

- a) Discuss the main objectives of book keeping among organizations. (5 marks)  
b) On January 2021, the following balances among others stood in the books of Wanyae, a sole proprietor:
- Business rates \$400 (dr)
  - Packing materials \$ 800 (dr)

During the year ended 31 December 2021, the information related to these two accounts is as follows:

- Business rates of \$3,600 were paid to cover the period 1 April 2021 to 31 March 2022.
- \$ 6,000 was paid for packing materials bought
- \$700 was owing on 31 December 2021 in respect to packing materials bought on credit.
- Old materials amounting \$200 were sold as scrap for cash.
- Closing inventory of packing materials was valued at \$ 1,300

#### Required:

- c) Respective expenses accounts and extracts of income statements and statement of financial position in the years 2021 and 2022. (7 marks)  
d) Explain atleast three (3) uses of a trial balance. (3 marks)