THE KENYA SCHOOL OF LAW

DIPLOMA IN LAW (PARA-LEGAL STUDIES)

YEAR TWO TERM 2 UNITS , 2026

FUNDAMENTALS OF BOOK- KEEPING AND ACCOUNTING - PTP 204

SPECIAL EXAMINATION

7TH APRIL 2026

DURATION 2 HOURS

10.00 AM – 12.00 PM

INSTRUCTION TO CANDIDATES

Answer Question One and Three other questions.

Question One carries **25Marks**

All other Questions **15 Marks** each

Show All your Workings

PLEASE TURN OVER

QUESTION ONE

a) Distinguish between the following terms as used in book keeping

i. Accounting and book keeping (2 Marks)

ii. Business Entity and Capital or Owner's Equity (2 Marks)

b) State at least three functions of accounting (3 Marks)

c) List and explain at least five (5) users of financial accounting information (5 Marks)

d) Trial balance of F. Benson for the year ended 30th September 2023 is as follows:

DETAILS	DR	CR
	'000'	'000'
Capital		99,350
Drawings	57,200	
Cash at bank	8,840	
Cash in hand	224	
Accounts receivable	76,200	
Accounts payable		52,600
Inventory: 30 September 2022	144,820	
Van	11,300	
Office equipment	14,940	
Sales		782,800
Purchases	509,620	
Returns inwards	4,220	
Carriage inwards	1,520	
Returns outwards		2,480
Carriage outwards	5,700	
Motor expenses	2,980	
Rent	16,400	
Telephone charges	1,360	
Wages and salaries	79,200	
Insurance	1,490	
Office expenses	784	
Sundry expenses	432	
	937,230	**937, 230**

Additional information

- Stock as at 30/09/2023 Kshs. 178,808,000
- Depreciation is provided on van and Equipment at 25% and 10% respectively at cost.
- Provision for bad debts is set at 2% of current debtors

Required:

i) Income statement (7 Marks)

ii) Statement of financial position as at 30/09/2023 (6 Marks)

QUESTION TWO

a)

i. Benefits of accounting controls (2 Marks)

ii. Name at least 4 sources of revenue. (4 Marks)

b) The following transactions relate to Juma Services for the month of March 2025.

Date	Transaction	
March 1	Credit sales to R. King	2,400
March 3	Credit sales to T. Kay	1,600
March 6	Credit sales to F. Lamb	60
March 10	Credit sales to R. King	520
March 17	Credit sales to V. Ball	4,600
March 19	Credit sales to N. Rollo	720
March 27	Credit sales to J. Bell	300
March 31	Credit sales to S. Moore	820

Required:

i) You are to enter up the Sales Day Book from the above details. **(4 Marks)**

ii) Post the items to the relevant accounts in the Sales Ledger **(4 Marks)**

iii) Show the transfer to the sales account in the General Ledger. **(1 Marks)**

QUESTION THREE

a) Define what is assets and liabilities, give two examples in each case **(4 Marks)**

b) The following information was provided in the Month of November 2024 for a second hand bookshop.

1. 1. Balance brought forward from last month: Cash kshs. 590; Bank kshs. 8,480.
2. 2. Cash sales kshs. 620.
3. 3. Took kshs. 400 out of the cash till and paid it into the bank.
4. 4. F. Bony paid us by cheque kshs. 388.
5. 5. We paid for postage stamps in cash kshs. 160.
6. 6. Bought office equipment by cheque kshs. 620.
7. 7. We paid L. Root by cheque kshs. 188
8. 9. Received business rates refund by cheque kshs. 230.
9. 11. Withdrew kshs. 300 from the bank for business use.
10. 12. Paid wages in cash kshs. 800.
11. 13. Cash sales kshs. 860.
12. 14. Paid motor expenses by cheque kshs. 162.
13. 16. J. Barry lent us £3,000 in cash.

14. 20. K. Brown paid us by cheque kshs. 348.
15. 28. We paid general expenses in cash kshs 70.
16. 30. Paid insurance by cheque kshs. 640.

Required: **(11 Marks)**

Two column cash book duly balanced.

QUESTION FOUR

a) i) Name at least three uses of Journals **(3 Marks)**

ii) Describe at least three kind of the information contained in an invoice **(3Marks)**

b) The following transactions occured in the month of May 2024 as follows:

1. May 1 Bought a motor bike on credit from Lakeside Garage for kshs. 11,000.
2. May 3 A debt of kshs 694 owing from T. Reason was written off as a bad debt.
3. May 8 Office chairs bought by us for kshs. 1,200 were returned to the supplier UL Furniture Ltd, as they were unsuitable. Full allowance will be given to us.
4. May 12 We are owed kshs. 600 by J. Day. Fie is declared bankrupt and we received kshs 380 in full settlement of the debt.
5. May 14 We take goods costing kshs. 120 out of the business inventory without paying for them. We now discover that £40 of the amount paid was in fact insurance of our private house.
6. May 28 Bought a trailer for kshs. 3,400 on credit from C-Land Ltd.

Required:

Show the journal entries necessary to record the above transactions in May 2024. **(9 Marks)**

QUESTION FIVE

a) Describe at least four Features of a balance sheet **(4 Marks)**

b) XYZ assets and liabilities as at 1st January 2024 were as follows:

Opening Balances (1st January 2024):

i) Cash at Bank: KES 2,058
ii) Stock in Trade: KES 2,748
iii) Furniture and Fittings: KES 1,188

Sundry Debtors

iv) Grace KES 108
v) Salome KES 234
vi) Mumbua KES. 156

Sundry Creditors

vii) Walio KES 72
viii) Nelson KES 126

The following transactions took place during the Month of January through the bank;

1. Jan. 2 – Sold goods to Salome on credit kshs. 744
2. Jan. 5 – Paid wages kshs. 72
3. Jan. 6 – Bought goods on credit from Walio kshs. 900
4. Jan. 8 – Grace settled her account and paid all the money.
5. Jan. 9 – Paid amount owing to Nelson
6. Jan 10 – Sales kshs. 384
7. Jan 13 – Paid wages Kshs. 84
8. Jan. 17 – Bought goods kshs. 450
9. Jan. 18 – Paid Walio the balance on his account.
10. Jan. 19 – Bought a new office desk kshs. 192
11. Jan. 20.- Paid wages kshs. 102
12. Jan. 23- Sales kshs. 660
13. Jan. 24- Paid office expense kshs. 18
14. Jan. 25. – Salome paid him kshs. 150
15. Jan. 26.- Sold goods kshs. 504
16. Jan. 27.- Paid wages kshs. 90
17. Jan. 30.- Sold goods kshs. 180

Required:

i) Post and balance off the above transactions into relevant T-accounts **(6 Marks)**
ii) Prepare a Trial Balance as at 31st January 2024 **(5 Marks)**

QUESTION SIX

a) What are possible scenarios that may exist concerning a bad debts **(3marks)**

b) The following is a summary of the petty cash transactions of Jockfield Ltd for May 2025:

May 1 Received from Cashier kshs. 600 as petty cash float

2 Postage 36

3 Travelling 24

4 Cleaning 30

7 Petrol for delivery van 44

8 Travelling 50

9 Stationery 34

11 Cleaning 36

14 Postage 10

15 Travelling 16

18 Stationery 18

18 Cleaning 46

20 Postage 26

24 Delivery van 5,000 mile service 86

26 Petrol 36

27 Cleaning 42

29 Postage 10

30 Petrol 28

Required:

i. Rule up a suitable petty cash book with analysis columns for expenditure on cleaning, motor expenses, postage, stationery, travelling. Enter the month's transactions, enter the receipt of the amount necessary to restore the imprest and carry down the balance for the commencement of the following month. **(9 Marks)**

ii. State how the double entry for the expenditure is completed. **(3 Marks)**

THE KENYA SCHOOL OF LAW

DIPLOMA IN LAW (PARA-LEGAL STUDIES)

YEAR TWO TERM 2 EXAMINATION

FUNDAMENTALS OF BOOK- KEEPING AND ACCOUNTING - PTP 204

17TH NOVEMBER 2025

DURATION 2 HOURS

2.00 PM – 4.00 PM

INSTRUCTION TO CANDIDATES

Answer Question One and Three other questions.

Question One carries **25Marks**

All other Questions **15 Marks** each

Show All your Workings

PLEASE TURN OVER

QUESTION ONE

a) Distinguish between the following terms as used in book keeping

i. Capital expenditure and revenue expenditure **(2 Marks)**

ii. Carriage inwards and carriage outwards **(2 Marks)**

iii. Return inwards and Return outwards **(2 Marks)**

b) Give **two** reasons for returning of goods **(2 Marks)**

c) Identify and briefly describe four types of books of original entry commonly used in a legal practice or service-based firm. **(4 Marks)**

d) Trial balance of J. O wino for the year ended 31st December 2024 is as follows:

DETAILS	DR	CR
	'000'	'000'
Motor Vehicle	8,000	
Furniture and fittings	6,000	
Stock 1.1.2024	4,000	
Sales		60,000
Purchases	40,000	
Returns inwards	4,000	
Return outward		2,000
Discounts allowed	6,000	
Discounts received		2,000
Debtors	16,000	
Creditors		8,000
Bad debts	2,000	
Provision for bad debts		1,000
Motor vehicle expenses	2,000	
Rent	1,000	
Salaries and Wages	2,000	
Electricity	3,000	
Telephone	600	
Carriage inwards	400	
Carriage outwards	600	
Drawings	6,000	
Capital		28,600
	101,600	**101,600**

Additional information

- Stock as at 31/12/2024 Kshs. 6,000,000
- Provision for bad debts is set at 5% of current debtors
- Motor vehicle expenses unpaid amount to kshs 600,000, rent in advance amount to 200,000 while salaries and wages prepaid was kshs 400,000.
- A quarter of telephone bills relates to year 2025.
- Unpaid electricity amount to Kshs. 200,000
- Depreciation is provided on motor vehicles and ~~fixtures~~ furniture & fittings at 20% and 10% respectively at cost.

Required:Income statement for the year ended 31/12/2024 **(8 Marks)**

Statement of financial position as at 31/12/2024 **(5 Marks)**

QUESTION TWO

a)

i. Identify three characteristics of a journal **(3 Marks)**

ii. Identify and explain at least four types of errors not affecting the balancing of the trial balances. **(4 Marks)**

b) The following transactions relate to LexPoint Legal Services LLP for the first week of February 2025. Some transactions involve adjustments or classification decisions **(8 Marks)**

Date	Transaction
Feb 1	Received KES 60,000 cash from a client for legal consultation.
Feb 2	Purchased office stationery worth KES 8,000 on credit from Paperline Ltd.
Feb 3	Paid KES 5,000 for electricity bill via bank transfer.
Feb 4	Withdrew KES 10,000 cash for personal drawings by a partner.
Feb 5	Received KES 25,000 via bank transfer from a client for conveyancing services.
Feb 6	Paid Paperline Ltd KES 8,000 by cheque.
Feb 7	Received invoice for KES 12,000 for legal reference books (to be paid later).
Feb 8	Paid KES 3,000 cash for petty cash replenishment.
Feb 9	Received KES 18,000 cash from a client, of which KES 6,000 relates to income received in advance.

Required:

Record the above transactions in the General Journal, clearly showing:

- Date
- Accounts affected (Dr/Cr)
- Narration for each entry
- Correct treatment of drawings, income received in advance, and credit purchases.

QUESTION THREE

a) Explain the role of a petty cash book in financial record keeping. Describe how the imprest system operates, using an example from a professional services firm. **(4 Marks)**

b) Briefly explain how contra entries are treated in a double column cash book. **(2 Marks)**

c) The following information was provided in the Month of June 2024 June.

1. 1. Balance brought forward Cash Kshs. 46,000 and Bank 950,000
2. 2. The following paid their accounts by cheque, on each case deducting 5% cash discount. R. Ben Kshs. 28,000. and R. Hilda Kshs. 60,000.
3. 4. Paid rent by cheque Kshs. 24,000
4. 8. We paid the following accounts by cheque in each case deducting 2.5% cash discount N. Wako Kshs. 72,000 and C. Reuben Kshs. 160,000.

5. 12. H. Karanja pays his account of Kshs. 15, 400 by cheque Kshs. 14, 800 deducting a cash discount.
6. 15. Paid wages in cash Kshs. 32,000
7. 21. Cash withdrawn from the bank of Kshs. 70,000 for business use.
8. 24. Cash drawings Kshs. 24,000
9. 29. Bought furniture and fittings paying by cheque Kshs. 130,000

Required:

Three column cash book duly balanced. **(9 Marks)**

QUESTION FOUR

a) i) Identify at least **THREE** reasons for dishonouring a cheque **(3 Marks)**

ii) Benefits of Controls Accounts **(3Marks)**

b) Balances and transactions affecting K. Nyoro in the month of September 2024 are as follows:

DETAILS	AMOUNT (Kshs.)
Balances September 2024 - Sales Ledger	228,500 (DR.) 5,200 (CR.)
Balances September 2024 - Purchases Ledger	112,250 (CR) 2,200 (DR)
Transactions during September 2024	
Purchases on credit	453,500
Receipts from customers by cheque	684,250
Sales on credit	918,500
Discount received	27,500
Payments to creditors by cheque	385,500
Contra settlements	75,000
Discount allowed	43,000
Customers cheques dishonoured	12,300
Cash receipts from credit customers	105,500
Balances on 30 September 2024	
Sales ledger	3,400 (CR.)
Purchases ledger	2,500 (DR)

Required:

Sales ledger Control Account and Purchases ledger Control Account as at 30th September 2024 **(9 Marks)**

QUESTION FIVE

a) i. Give two Reasons why the Cash book balance and Bank Balance do not agree when doing bank reconciliation statements **(2 Marks)**

ii) Identify three principles of double entry book keeping **(3 marks)**

b) The following balances and transactions relate to a legal firm, *LexPoint Advocates LLP*, for the month of October 2024:

Opening Balances (1st October 2024):

i) Cash at Bank: KES 150,000
ii) Office Equipment: KES 80,000
iii) Capital: KES 230,000

Transactions:

1. Oct 2 – Paid KES 12,000 for internet and phone services in cash
2. Oct 3 – Purchased a printer worth KES 25,000 on credit from a supplier
3. Oct 5 – Received KES 40,000 from a client for conveyancing services in cash
4. Oct 7 – Paid supplier KES 15,000 via bank transfer
5. Oct 9 – Withdrew KES 10,000 cash for personal drawings
6. Oct 11 – Paid KES 6,000 for office cleaning services in cash
7. Oct 13 – Received KES 20,000 from a client for legal drafting, deposited into bank
8. Oct 15 – Paid KES 5,000 for electricity bill via bank
9. Oct 17 – Purchased legal reference books worth KES 18,000 in cash
10. Oct 20 – Received KES 30,000 from a client for mediation services in cash

Required:

i) Post and balance off the above transactions into relevant T-accounts **(5 Marks)**
ii) Prepare a Trial Balance as at 31st October 2024 **(5 Marks)**

QUESTION SIX

a) i) Define the term Depreciation **(2 Marks)**

ii) Identify and explain at least two causes of Depreciation **(4 Marks)**

iii) Identify and explain two methods of calculating depreciation charges **(2 Marks)**

b) On 10 August 2020 Maxmin, a computer software retailer, bought a non-current asset which cost Kshs. 300,000. It had an anticipated life of four years and an estimated residual value of Kshs. 60,000. Due to unforeseen events in the computer industry, the asset was suddenly sold on 10 March 2022 for cash Kshs. 135,000.

The policy of the company is to provide depreciation in full in the year of purchase and none in the year of sale.

Q6 ooo

Required:

a) Calculate the charge for depreciation for each of the years using straight line method, showing clearly the net book values as at the end of each of the years. **(5 Marks)**

b) Calculate the profit or loss on the disposal of the asset. **(2 Marks)**

THE KENYA SCHOOL OF LAW

DIPLOMA IN LAW (PARA-LEGAL TRAINING PROGRAMME)

SECOND YEAR TERM II EXAMINATION

SPECIAL EXAMINATION

FUNDAMENTALS OF BOOK KEEPING & ACCOUNTING - PTP 204

7TH APRIL 2025

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

QUESTION ONE

a) XYX is a wholesaler. The trial balance extracted from his books on 31 December 2024 was as follows:

	Sh'000	Sh'000
Capital		112000
Sales and Purchases	92400	157240
Premises at cost	64000	
Motor vehicle at cost	30000	
Accumulated depreciation motors		8200
Fixtures at cost	6500	
Accumulated depreciation on fixtures & fittings		1100
Motor expenses	7300	
Rates	2300	
Balance at bank	4200	
Wages and salaries	42000	
Drawings	9600	
Insurance	2000	
Trade debtors	18000	
Provision for doubtful debts		560
Trade creditors		15000
Sundry expenses	16200	
Long term loan		20000
Stock 1.1.22	19250	
Cash in hand	350	
	314100	**314100**

The following information was available on 31 December 2024:

- Stock as at 31 December was Ksh. 22,400,000.
- There were wages and salaries owing of Sh. 1,200,000.
- There was a payment of Sh. 1,200,000 to cover for 12 months insurance.
- On renewing debtors, it was discovered that a debt of Sh. 800,000 would not be recovered and that further Sh. 1,200,000 was doubtful.
- Depreciation is 2%. 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 a statement of financial position at 31/12/2024. **(15 Marks)**

b) i) Explain atleast **THREE (3)** advantages of books of original entry in book-keeping. **(3 Marks)**
ii) What are the main benefits of control accounts. **(4 Marks)**
iii) Identify and explain atleast **THREE (3)** errors that are not disclosed by the trial balance. **(3 Marks)**

QUESTION TWO

Balances and transactions affecting C. Makanda in the month of May 2023 are as follows:

Balances May 2023

	Sh.
Sales ledger	456150 (Debit)
	10550(Credit)
Purchases ledger	224500 (Debit)
	4400 (Credit)
Transaction during May 2023	
Purchases on credit	906750
Allowances from suppliers	31450
Receipts from customers by cheque	1368500
Sales on credit	1837750
Discount received	55250
Payment to creditors by cheque	770650
Control settlements	152300
Allowances to customers	86000
Bills of exchange receivable	325300
Customers cheques dishonoured	24450
Cash receipt from credit customers	210050
Balances on 31 May 2023	
Sales ledger	6800 (Credit)
Purchases ledger	3350(Debit)

Required:

(a)

i. Total debtors control accounts. **(6 Marks)**

ii. Total creditors control accounts. **(6 Marks)**

(b) Explain at least **THREE (3)** demerits of books of original entry. **(3 Marks)**

QUESTION THREE

Onyango Hatari started a retail shop on 1 January 2025 with capital of Sh. 3,500,000 cash. During the month, he carried out the following transactions:

Jan 2	Put Sh. 2,800,000 of cash into a bank account
Jan 3	Bought goods for cash Sh. 150,000
Jan 4	Bought goods on credit from Nyambura Sh. 360,000 and M. Kisoi Sh. 400,000, D. Otieno Sh. 110,000 and Mutoka Sh. 340,000
Jan 5	Bought stationery on credit from Seal Honey Ltd. Sh. 170,000
Jan 6	Sold goods on credit to Wakanadi Sh. 90,000, Pinto Gama Sh. 150,000 Hassan Miko Sh. 190,000 and Peter Sh. 160,000
Jan 8	Paid electricity by cheque Sh. 55,000
Jan 10	Bought furniture on credit from Supreme Ltd Sh. 480,000
Jan 10	Paid salaries & wages in cash Sh. 120,000
Jan 14	Returned goods to M. Kisoi Sh. 40,000 and P. Otieno Sh. 60,000
Jan 15	Bought motor vehicle by cheque Sh. 700,000
Jan 16	Acquired a loan from Shabiki by cheque Sh. 600,000

Jan 18	Goods returned to Onyango by Wakarinde Sh. 20,000; Hassan Miko Sh. 40,000
Jan 21	Cash sales Sh. 900,000
Jan 24	Sold goods on credit to Pinto Gama Sh. 100,000 Petero Sh. 340,000 and Muuguzi Sh. 115,000
Jan 26	Paid the following by cheque Kisoi Sh. 45,000 P.Otieno Sh. 50,000
Jan 29	Received cheque from Muuguzi Sh. 115,000 Pinto Gama Sh. 50,000
Jan 30	Received further loan from Shailoki by cash Sh. 200,000
Jan 30	Received Sh. 500,000 cash from Petero

Required:

Relevant ledger entries and a trial balance as at January 31.2.2025. **(15 Marks)**

QUESTION FOUR

On December 2024, an inexperienced book keeper working for Tumaini, a sole trader, extracted a trial balance. Due to the errors committed in the trial balance, it failed Sh. 369,400. He placed the difference on a suspense account as shown below:

Tumaini trial balance as at 31/12/2024

	Dr (Shs)	Cr (Shs)
Non-current assets	832,000	
Stock 1.1.2024	148,000	
Stock 31.12.2024		98,000
Trade debtors		76,000
Prepayments		10,000
Trade creditor	36,400	
Bank overdraft		15,200
Accruals		16,000
Drawings	359,600	
Capital		1,054,000
Sales	1,043,200	
Provision for depreciation		166,400
Purchases		733,000
Operating expenses	126,000	
Provision for doubtful debts		3,800
Discounts received	5,000	
Discounts allowed		5,800
Suspense account		369,400
	2,548,400	2,548,400

Investigations carried out after preparing the trial balance revealed the following:

i. Total sales daybook for December 2024 was overcast by Sh. 24,800.
ii. On July 2024, the business purchased office equipment for Sh. 40,000,these were debited to purchases account.
iii. Depreciation on the equipment is at a rate of 10% per annum on cos and based on the period of usage in the year.

iv. A payment to creditor by cheque of Sh. 8,500 was erroneously credited to the creditors account.
v. A payment of Sh. 4,500 for telephone expenses was debited to telephone account as Sh. 5,400
vi. An amount of Sh. 16,000 received from a debtor was not posted to debtors account from the cash book.
vii. An amount of discount received of Sh. 2,500 was debited to discount allowed account.
viii. Purchase daybook for October 2024 was undercast by Shs. 28,000

Assume the business reported a net profit of Sh. 85,000 before adjusting for the above errors.

Required:

a) Adjusted trial balance and correct suspense account balance. (5 Marks)
b) Formal entries to correct the above errors. (3 Marks)
c) Suspense account duly balanced. (3 Marks)
d) Statement of adjusted net profit. (4 Marks)

QUESTION FIVE

a) Explain at least **FOUR (4)** books of original entries used in a local law firm using suitable examples. (10 Marks)

b) What is the main purposed of accounting for a modern law firm? (5 Marks)

QUESTION SIX

a) ABC Limited account of motor vehicles as at 1/1/2022 was Ksh. 5,000,000 while accumulated depreciation as at that date was Ksh.2,000,000. During the year, the following transactions took place:

- A motor vehicle bought on 1/1/2020 at Sh. 1,000,000 was exchanged with a new one costing Sh. 300,000, the company paid Sh. 800,000 in exchange. The exchange took place on 30/6/2022.
- On 11/4/2022 a new motor vehicle was bought at Sh. 1,000,000
- On 31/7/2022 a motor vehicle was bought on 1/8/2019 at a cost of Sh. 800,000 was sold at Sh. 300,000
- On 31/8/2022 a 2nd hand motor vehicle was bought from XYZ Ltd at Sh.700,000. XYZ Ltd had bought the motor vehicle on 30/6/2020 at Sh. 1,000,000. It is company policy to charge depreciation at 20% PA on cost with a full year charge in the year of acquisition and no charge in the year of disposal.

Required:

a) (i) Motor vehicle account. (3 Marks)
(ii) Provision for depreciation accounts (4 Marks)
(iii) Disposal accounts (5 Marks)

b) Explain the main causes of depreciation. (3 Marks)

END

THE KENYA SCHOOL OF LAW

DIPLOMA IN LAW (PARA-LEGAL TRAINING PROGRAMME)

SECOND YEAR TERM II EXAMINATION

FUNDAMENTALS OF BOOK KEEPING & ACCOUNTING - PTP 204

18TH NOVEMBER 2024

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) Explain at least **FOUR (4)** source documents used in preparation of cashbook for any organization of your choice. **(4 Marks)**

(ii) Given the following assets and liabilities on 30th October 2024:

	Kshs.
Creditors	3950000
Equipment	1150000
Motor vehicle	629000
Stock of Goods	615000
Debtors	577000
Cash at bank	728000
Cash in hand	4000

During the first week of November 2024:

i. The firm bought extra equipment on credit for Sh. 138,000.
ii. Bought extra stock by cheque Sh. 57,000.
iii. Paid creditors by cheque Sh. 79,000
iv. Debtors paid the firm Sh. 84,000 by cheque and Sh. 6,000 by cash.
v. The firm owner put extra Sh. 25,000 cash as capital.

Required:

a) Prepare the firm's statement of financial position as at the first week of November. **(7 Marks)**
b) Explain atleast **THREE (3)** causes of depreciation. **(3 Marks)**
c) Discuss **FIVE (5)** reasons why the balance in the bank statement may be different from the balance on the bank column of the cash book. **(5 Marks)**

d) Richard started a business as a butcher in your neighbourhood on 1st February 2024. His transactions for the month of March were as follows:

i. Borrowed Sh. 100,000 from his father and paid the money into a business bank account.
ii. Made purchases totaling Sh. 60,000 by cheque.
iii. Made sales totaling to Sh. 80,000.
iv. Bought a delivery cart for Sh. 1400 cash.
v. Paid rent for one-month Sh. 2400 cash.
vi. Made credit purchases totaling Sh. 40,000 and by the end of the month had paid all but Sh. 10,000 of this amount.
vii. Made credit sales totaling to Sh. 76,000 and at the end of the month debtors still owed Sh. 34,000 of this amount.
viii. Received a legacy of Sh. 20,000 cash and paid this into the business.
ix. Paid electricity for one-month Sh. 1800 cash.
x. Drew Sh. 2400 cash for his personal expenses.

Required:
Ledgers and trial balance as at the end of the period. **(6 Marks)**

QUESTION TWO

The following trial balance was extracted from the books of T Bone as at 31st December 2023:

	Dr Sh'000	Cr. Sh'000
Capital		20,500
Purchases and Sales	46,500	60,900
Repairs	848	
Motorcar (cost)	950	
Car expenses	318	
Bad debts	359	
Freehold land and buildings	10,000	
Bank balance	540	
Furnitures & fittings (cost)	1460	
Wages and Salaries	8606	
Discount allowed	1061	
Discount received		814
Drawings	2400	
Rates and Insurance	248	
Provision for bad debts (1.1.2023)		140
Trade debtors and creditors	5213	4035
General expenses	1506	
Stock 1.1.2023	6300	
	86, 389	**86,389**

The following matters are to be taken into account:

i. Stock as at 31.December. 2023 was Sh. 8,800,000
ii. Wages and salaries outstanding at 31 December 2023 were Sh. 380,000
iii. Rates and insurance paid in advance at 31 December 2023 amounted to Sh. 45,000
iv. During the year, T Bone took goods valued at Sh. 200,000 for his own use. No entry has been made in the books.
v. Depreciation is to be provided at the rate of 20% on motor and 10% on furniture and fittings.
vi. The provision for bad debts is to be reduced to Sh. 100,000.

Required:

(i) Income statement **(8 Marks)**
(ii) Statement of financial position as at 31December2023. **(7 Marks)**

QUESTION THREE

Discuss at least **FOUR (4)** main advantages of an imprest system in a firm of your choice. (6 Marks)
The following is a summary of the petty cash transactions for Njabini Traders for the month of October 2024.

Date		Sh'000
October 1	Received cash from cashier 3000000 as petty cash float.	
October 2	Postages	18
October 3	Travelling	12

October 4	Cleaning	15
October 7	Petrol for delivery van	22
October 8	Travelling	25
October 9	Stationery	17
October 11	Cleaning	18
October 14	Postage	5
October 15	Travelling	8
October 18	Stationery	9
October 18	Cleaning	23
October 20	Postage	13
October 24	Delivery van 5000km service	43
October 26	Petrol	18
October 27	Cleaning	21
October 28	Postage	5
October 30	Petrol	14

Required:
Rule up a suitable petty cash book with analysis columns for expenditure on cleaning, motor expenses, postage, stationery and traveling and enter the transactions showing the amount necessary to restore the imprest. **(9 Marks)**

QUESTION FOUR

a) Explain atleast **FIVE (5)** errors that do not affect the trial balance. **(5 Marks)**

b) Chi Knitwear Limited is an old fashioned firm with a hand written set of books. A trial balance is extracted at the end of each month and an income statement as well as a statement of financial position prepared. This month however, the trial balance failed to agree. Credits exceeding the debits by $. 1536. You are asked to held and after inspection of the ledgers discover the following errors.

i) A balance of $. 87 on the debtors account has been omitted from the schedule of debtors the total of which was entered as debtors in the trial balance.
ii) A small piece of machinery purchased for $1200 has been written off to repairs.
iii) The receipts side of the cashbook had been carried forward as $8154 whereas the correct amount was $8514.
iv) A credit note for $179 received from a supplier had been posted to the wrong side of his account.
v) An electricity bill in the sum of $152 not yet accrued for discovered in a filing tray.
vi) Mr. Smith, whose past debts to the company had been subject of a provision atleast paid $731 to clear his account. His personal account has been credited but the cheque has not yet passed through the cashbook.

Required:
(i) Journal entries **(6 Marks)**
(ii) Suspense account. **(4 Marks)**

QUESTION FIVE

a) Explain atleast **FIVE (5)** benefits of bank reconciliation statements. **(5 Marks)**

b) On 31 December 2023 the bank column of C Tiri's cashbook showed a debit balance of Sh. 15,000. The monthly bank statement written up on 31 December 2023 showed a credit balance of Sh. 29,500. On checking the cashbook with the statement it was discovered that the following transactions had not been entered into the cashbook.

i. Dividends of Sh. 2400 had been paid directly to the bank.
ii. A credit transfer HM revenue and customs VAT refund of Sh. 2600 had been collected by the bank.
iii. Bank charges amounted to Sh. 300
iv. A direct debit of Sh. 700 from RAC subscription had been paid by the bank.
v. A standing order of Sh. 2000 for C Tiri's loan repayment had been paid by the bank.
vi. C Tiri's deposit account balance of Sh. 14000 was transferred into his bank current account.

A further check revealed the following items:

i. Two cheques drawn in favour of T Cod Sh. 2500 and F. Haddock Sh. 2900 had been entered in the cashbook but had not been presented for payment. Cash and cheques amounting to Sh. 6900 had been paid into the bank on 31 December 2023 but were not credited by the bank until 2 January 2024.

Required:

Starting with a debit of Sh. 15,000 on the bank column of the cashbook, prepare:
(i) An updated cashbook; and (7 Marks)
(ii) Bank reconciliation statement as at 31 December 2023. (3 Marks)

QUESTION SIX

A business starts on 1.1.2022 and its financial year ends on 31 December annually. A table of debtors, bad debts written off and estimated bad debts at a rate of 2% of the debtors at the end of each year is now given:

% Provision for bad debts	Year to 31st December	Bad debts written off	Debtors after bad debts written off
2%	2022	423	6000
2%	2023	510	7000
2%	2024	604	7750
2%	2025	610	6500

Required:
(a)
i. Bad debts accounts. (2 Marks)
ii. Provision for bad debts accounts. (3 Marks)
iii. Income statement extract for each year. (2 Marks)
iv. Statement of financial position extract for each year. (2 Marks)

(b) Discuss why bookkeeping and accounting is useful to a legal firm in Kenya today. (6 Marks)

END

THE KENYA SCHOOL OF LAW

DIPLOMA IN LAW (PARA-LEGAL TRAINING PROGRAMME)

SECOND YEAR TERM II EXAMINATION

SPECIAL EXAMINATION

FUNDAMENTALS OF BOOK KEEPING & ACCOUNTING - PTP 204

6TH MAY 2024

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

QUESTION ONE

a) i) Prepare the statement of financial position from the following information obtained from Migingo Enterprises:

	Sh'
Cash	1750000
Capital	6680000
Stock	5250000
Owed by customers	3340000
Owed by suppliers	2980000
Business Premises	9000000
Loan from Wiki	3000000

(3 Marks)

ii) Suppose that in the first week of January 2024 the following transactions took place:

1, Purchased on credit, a computer for office use Sh. 50000
2, Received Sh. 190,000 from a customer
3, Paid a supplier Sh. 670000
4, Purchased stock on credit Sh. 260,000
5, Sold goods that had cost Sh. 350,000 for Sh. 530,000
6, Repaid Wiki, Sh. 1,000,000 of the balance due to him (ignore interest)
7, Withdrew stock costing Sh. 100,000 for private use.
Redraft the statement sheet as at 7th January **(7 Marks)**

b) Discuss how a Kenyan Legal firm of your choice may use accounting in its daily practice? **(5 Marks)**

c) Using a legal firm of your choice, describe atleast (5) **FIVE** source documents and explain how they can be incorporated in the documentation flow chart. **(10 Marks)**

QUESTION TWO

The following figures were extracted from the records of D&W Ltd for 6 months ended 20 June 2016.

	Sh.
Opening Balances 1 January 2024	
Sales ledger	142800 (Debit)
	4050 (Credit)
Purchases ledger	1050 (Debit)
	55380 (Credit)
Sales ledger debit balance offset against purchases ledger	3690
Discounts - allowed	20970
Discounts - received	14250
Purchases (including cash purchase of Sh. 2000)	120200
Cash sales	61800
Credit sales	206820
Credit notes issued to customers for goods returned	7500
Cash purchases	13200
Purchases to creditors	115920
Interest charged by creditors on overdue accounts	6900
Receipts from customers	157800

Bad debts written off	3720
Customers unpaid cheques	2610
Interest charged to customers	9600
Data collection expenses charged to debtors	1080
Credit notes received for goods returned to suppliers	2670
Balances on 30 June 2024 – Purchases Ledger (Debit)	1440
Sales ledger (Credit)	5070

Required:

i. Prepare the purchases ledger control accounts for the six months ended 30 June 2024 **(7 Marks)**
ii. Sales ledger control accounts for the last six months ended 30 June 2024. **(8 Marks)**

QUESTION THREE

An account clerk extracts the trial balance in the books of Wemba which failed to agree by Sh. 7070. The difference was entered on the credit side of suspense accounts. The following errors were discovered:

- Sales daybook was undercast by Sh. 10,000
- Discount received on Sh. 1080 had been correctly entered in the cash book but not posted to creditors account.
- Purchase daybook undercast by Sh. 5850
- Sh. 2200 received from a debtor had been debited to his account.
- Discount allowed Sh. 200 had been posted on the credit side of discount received.
- Discount allowed Sh. 500 were not entered in discount allowed column on the cashbook instead sales have been recorded as Sh. 10,000 (including discount allowed) while the customers account has been correctly credited with discounts and cash received.

Required:

a) Journal entries and suspense account duly balance. **(11 Marks)**
b) Explain atleast **FOUR (4)** errors that affect the trial balance. **(4 Marks)**

QUESTION FOUR

A business buys a fixed asset for Sh. 100,000. The business estimates that the asset will be used for 5 years after exactly 2 ½ years however, the asset is suddenly sold for Sh. 50,000. The business always provides a full years depreciation in the year of purchase and no depreciation in the year of disposal.

Required:

a) Write up all the relevant accounts for each of the years 1, 2 and 3 using reducing balance method at 40% P.A **(7 Marks)**
b) i) Explain atleast **FOUR (4)** uses of control accounts in a business environment. **(4 Marks)**
ii) Discuss the relevance of petty cashbook in a legal firm. **(4 Marks)**

QUESTION FIVE

On January 2022, Karanja had the following assets and liabilities:

		Shs.
Cash at bank		14,000,000
Stock		4,000,000
Debtors:	Kamau	1500,000
	Nundu	960,000
Creditors:	Polo	1,300,000
	Matoke	850,000
Office equipment		450,000
Motorvan		3,200,000

His transactions:

2	Withdrew Sh. 200,000 from the bank for office use
2	Purchased goods from Polo, 250,000 on credit
4	Bought stationery Sh. 36,000 for cash
7	Received a cheque Sh. 940,000 from Nundu who later provided a discount of Sh. 20,000
12	Sold goods to Kamau Sh. 1,400,000 on credit
15	Paid Matoke Sh. 600,000 by cheque on account
16	Returned goods worth Sh. 30,000 to Polo
20	Bought office equipment Sh.145,000 on credit from Patel Brothers
23	Sold all goods on hand receiving Sh. 1,250,000 cash and Sh. 500,000 in cheque
27	Paid Patel Brothers Sh. 130,000 cash
28	Withdrew Sh. 370,000 from bank for personal use
29	Paid rent Sh. 160,000 in cash and salaries Sh. 180,000 by cheque

Required:

i. Determine the capital. **(3 Marks)**

ii. Open all relevant ledger accounts and extract the trial balance as at the end of the period. **(12 Marks)**

QUESTION SIX

The following trial balance was extracted from the books of AB Traders as at 31st December:

	Shs. 000	Shs. 000
Purchases and sales	54520	79060
Debtors and creditors	9240	10040
Bank balance	2190	
Loan		4000
Provision for doubtful debts		600
Drawings	4800	
Motorcar at cost	6300	
Furniture & fittings at cost	7500	

Capital as at 31.12.2023		13640
Motor expenses	3790	
Office equipment	3950	
Rates	1170	
Stock 31.12.2023	6740	
Salaries	8760	
Accumulated depreciation		
Freehold properties	7500	450
Furniture & Fittings	2000	800
Motor cars		2370
	110960	**110960**

Notes:

- Stock as at 31 December 2023, Sh. 7,330,000
- Rates paid in advance 31.12.23 was Sh. 250,000
- Provision for doubtful debts to be made equal to 5% of debtors as at 31 December 2023
- Provide for depreciation for the year at the following annual rates calculated on cost, assuming no scrap value:
  - ✓ Freehold properties 1% p.a
  - ✓ Furniture & fittings 10% p.a
  - ✓ Motor car 20% p.a
  - ✓ Provide for interest on loan at 5% p.a

Required:

i. Income statement as at 31.12.2023 **(9 Marks)**

ii. Statement of financial position as at 31.12.2023 **(6 Marks)**

END

THE KENYA SCHOOL OF LAW

DIPLOMA IN LAW (PARA-LEGAL TRAINING PROGRAMME)

SECOND YEAR TERM II EXAMINATION

FUNDAMENTALS OF BOOK KEEPING & ACCOUNTING - PTP 204

15TH JANUARY 2024

DURATION: 2 HOURS

PLEASE TURN OVER

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

QUESTION ONE

a) Brado is a wholesaler. The trial balance extracted from his books on 31 December 2022 was as follows:

	Sh'000	Sh'000
Capital		112000
Sales and purchases	92400	157240
Premises at cost	64000	
Motor vehicles at cost	30000	
Accumulated depreciation on motors		8200
Fittings & fixtures at cost	6500	
Accumulated depreciation on fittings & fixtures		1100
Motor expenses	7300	
Rates	2300	
Balance at bank	4200	
Wages and salaries	42000	
Drawings	9600	
Insurance	2000	
Trade debtors and creditors	18000	15000
Provision for doubtful debts		560
Sundry expenses	16200	
Long term loan		20000
Stock 1.1.2022	19250	
Cash in hand	350	
	314,100	**314,100**

The following information was available on 31 December 2022:

i. Stock as at 31 December was 22,400,000.
ii. There were wages and salaries owing of 12,000,000.
iii. There was a payment of 12,000,000 on 30.09.22 to cover 12 months' insurance
iv. On reviewing debtors, it was discovered that a debt of sh. 800,000 would not be recovered and that further 1,200,000 was doubtful.
v. Depreciation is 25% reducing balance on motors and 10% straight line on fittings and fixtures.
vi. Loan interest at 10% has not been allowed for

Required:

- Income statement **(10 Marks)**
- Statement of financial position as at 31.12.2022 **(5 Marks)**

b)

i. Explain at least **THREE (3)** needs of book-keeping and accounting in a legal firm. **(3 Marks)**
ii. Identify and explain at least **THREE (3)** errors that are not disclosed by the trial balance? **(3 Marks)**
iii. Discuss how **TWO (2)** main branches of accounting can be applied in a law firm. **(4 Marks)**

QUESTION TWO

A trial balance of Penda Limited on 30.06.13 did not agree. The amount of difference was entered in a suspense account. An income statement was prepared and the net profit was Shs. 412,500. The following was discovered and the difference eliminated:

- A sales invoice for Sh. 12,925 had been completely omitted from the books.
- A bank overdraft of Sh. 5,170 which appeared as a credit balance in the cash book on 30.6.2020 had been omitted.
- A payment of Sh. 2,970 to Makinde a trade creditor had been debited on personal account as Sh 2,790
- A provision of Sh. 880 for sundry expenses outstanding on 30 June 2022 debited to sundry expenses account at that date had not been brought forward to credit of the account in the following period and no credit entry had been made in any other account.
- Discount received from suppliers amounting to Sh. 9680 had been entered on the wrong side of purchases ledger and the closing balance in the same account was included in the trial balance and on June 2023 goods valued Sh. 660 (selling price) were returned by the customer. No entry had been made in the books and these goods had not been included in the closing stock. The cost of these goods were Sh. 495.

Required:

i. Journal entries, suspense account duly balanced and calculation of the adjusted Net Profit. **(12 Marks)**

ii. Using suitable examples distinguish between a suspense account and a journal proper. **(3 Marks)**

QUESTION THREE

Balances and transactions affecting Oguta in the month of May 2021 are as follows:

	Sh.	
Sales Ledger	456,150	(Debit)
	10,550	(Credit)
Purchases Ledger	224,500	(Credit)
	4,400	(Debit)
Transactions during May 2021		
Purchases on credit	906,750	
Allowances from suppliers	31,450	
Payments from customers by cheque	1,368,500	
Sales on credit	1,837,750	
Discount received	55,250	
Payment to creditors by cheque	770,650	
Contra settlements	152,300	
Allowances to customers	86,000	
Bills of exchange receivable	325,300	
Customers cheques dishonoured	24,450	
Cash receipts from credit customers	210,050	
Balances on 31 May 2021		
Sales Ledger	6,800	(Credit)
Purchases ledger	3,350	(Debit)

Required:

i. Total debtors and creditors control accounts on 31st May 2021. **(12 Marks)**

ii. Explain atleast **THREE (3)** disadvantages of control accounts. **(3 Marks)**

QUESTION FOUR

ABC Limited account of Motor vehicles as at 1/1/2022 was Sh. 5,000,000 which accumulated depreciation as at that date was Sh. 2,000,000. During the year the following transactions took place:

i. A motor vehicle bought on 1/1/2020 at Sh. 1,000,000 was exchanged with a new one costing Sh. 1,300,000. The company paid Sh. 800,000 in exchange. The exchange took place on 30/6/2022.

ii. On 1/4/2022 a new motor vehicle was bought at Sh. 1,000,000

iii. On 31/7/2022 a motor vehicle bought on 1/8/2019 at a cost of Sh. 800,000 was sold at Sh. 300,000.

iv. On 31/8/2022 a second hand motor vehicle was bought from XYZ Limited at Sh. 700,000. XYZ Limited had bought the motor vehicle on 30/6/2022 at Sh. 1,000,000

v. It is the company's policy to charge depreciation on motor vehicles at 20% per annum on cost with a full year charge in the year of acquisition and no charge on the year of disposal.

Required:

i. Motor vehicles account. **(3 Marks)**

ii. Provision for depreciation account. **(4 Marks)**

iii. Disposal account. **(3 Marks)**

iv. Explain atleast **THREE (3)** main causes of depreciation. **(3 Marks)**

QUESTION FIVE

a) Explain at least **FOUR (4)** main accounting concepts used in accounting. **(8 Marks)**

b) (i) Discuss atleast FOUR (4) principles of accounting. **(4 Marks)**

(ii) Identify and explain **THREE (3)** uses of journal entries in accounting. **(3 Marks)**

QUESTION SIX

Richard started a butcher in your neighborhood on 1st March 2022. His transactions were as follows:

March 1	Borrowed Sh. 10,000,000 from his father and paid the money into business bank account.
March 2	Made cash purchases totaling to Sh. 6,000,000
March 3	Made cash sales totaling to Sh. 8,000,000
March 4	Bought a delivery bicycle Sh. 140,000
March 5	Paid rent for one-month Sh. 240,000 cash
March 6	Made credit purchases totaling Sh. 4,000,000 and by the end of the month had paid all but Sh. 1,000,000 of this amount cash.
March 8	Received a legacy of Sh. 2,000,000 cash and paid this into the business
March 9	Paid electricity for one-month Sh. 180,000 cash
March 10	Drew cash Sh. 240,000 for his personal expenses

Required:

i. Ledger and trial balance for Richard as at 10th March 2022. **(10 Marks)**

ii. Distinguish between the following terms:

- Carriage inwards and returns inwards **(2 Marks)**
- Discount allowed and Discount received. **(1 Mark)**
- Revenue and Capital Expenditure. **(2 Marks)**

END

THE KENYA SCHOOL OF LAW

DIPLOMA IN LAW (PARA-LEGAL TRAINING PROGRAMME)

SECOND YEAR TERM II EXAMINATION

FUNDAMENTALS OF BOOK KEEPING & ACCOUNTING - PTP 204

13 MARCH 2023

DURATION: 2 HOURS

PLEASE TURN OVER

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

QUESTION ONE

a) XYZ is a wholesaler. The trial balance extracted from his books on 31 December 2022 was as follows:

	Sh'000	Sh'000
Capital		112000
Sales and purchases	92400	157240
Premises at cost	64000	
Motor vehicle at cost	30000	
Accumulated depreciation on motors		8200
Fittings & fixtures at cost	6500	
Accumulated depreciation on fittings & fixtures		1100
Motor expenses	7300	
Rates	2300	
Balance at bank	4200	
Wages and salaries	42000	
Drawings	9600	
Insurance	2000	
Trade debtors	18000	
Provision for doubtful debts		560
Trade creditors		15000
Sundry expenses	16200	
Long term loan		20000
Stock 1.1.22	19250	
Cash in hand	350	
	314,100	**314,100**

The following information was available on 31 December 2022:

i. Stock as at 31 December was 22,400,000.

ii. There were wages and salaries owing of 1,200,000.

iii. There was a payment of 1,200,000 on 30.09.22 to lower 12 months' insurance

iv. On reviewing debtors, it was discovered that a debt of sh. 800,000 would not be recovered and that further 1,200,000 was doubtful.

v. Depreciation is 25% reducing balance on motors and 10% straight line on fittings and fixtures.

vi. Loan interest at 10% has not been allowed for

Required: Income statement and a statement of financial position as at 31.12.2022 **((15 Marks)**

b)

i. Explain at least three advantages of books of original entry in book-keeping. **(3 Marks)**

ii. What are the main benefits of control account? **(4 Marks)**

iii. Identify and explain at least three errors that are not disclosed by a trial balance. **(3 Marks)**

QUESTION TWO

Balances and transactions affecting C. Mwenda in the month of May 2021 are as follows:

Balances 1 May 2021	Sh.
Sales ledger	456150 (Debit)
	10550 (Credit)
Purchases ledger	224500 (Credit)
	4400 (Debit)
Transactions during May 2021	
Purchases on credit	906950
Allowances from suppliers	31450
Receipts from customers by cheque	1368500
Sales on credit	1837750
Discount received	55250
Payments to creditors by cheque	770650
Countra settlements	152300
Allowances to customers	86000
Bills of exchange receivable	325300
Customers cheques dishonoured	24450
Cash receipts from credit customers	210050
Balances on 31 May 2021	
Sales ledger	6800 (Credit)
Purchases ledger	3350 (debit)

Required:

i. Total debtors control and total creditors control as at 31.5.2021 **(12 marks)**

ii. Explain at least three advantages of imprest systems. **(3 Marks)**

QUESTION THREE

Onyango Hatari started a retail shop on 1 January 2023 with capital of 3,500,000 cash. During the month the carried out the following transactions:

Jan 2	Put Sh 800,000 of cash into bank account.
Jan 3	Bought goods for cash 150000
Jan 4	Bought goods on credit from Nyambura Sh 360,000, M Kisoi Sh 400,000, P. Otieno Sh 110,000 and Mutoko Sh 340,000
Jan 5	Bought stationery on credit from Seal Honey Ltd 170,000
Jan 6	Sold goods on credit to Wakanadi Sh.90,000, Pinto Gama Sh. 150,000, Hassan Miko Sh. 190,000 and Petero Sh. 160,000
Jan 8	Paid electricity by cheque sh. 55,000
Jan10	Bought furniture on credit from Supremes Ltd Sh 480,000
Jan 11	Paid salaries and wages in cash Sh. 120,000
Jan 14	Returns goods to M Kisoi sh. 40, P. Otieno Sh. 60,000
Jan 15	Bought motor vehicle by cheque sh. 700,000
Jan 16	Acquired a loan from Shailoki by cheque sh. 600,000
Jan 18	Goods returned to Onyango by Wakanadi Sh. 20,000; Hassan Miko Sh. 40,000
Jan 21	Cash sales Sh. 90,000

Jan 24	Sold goods on credit t Pinto Gama Sh. 100,000; Petero Sh. 340,000 and Muuguzi Sh. 115,000
Jan 26	Paid the following by cheque, Kisoi Sh. 450,000; P. Otieno Sh. 50,000
Jan 29	Received cheque from Muuguzi Sh. 115,000; Pinto Gama Sh 50,000
Jan 39	Received further loan from Shailoki b cash Sh. 200,000
Jan 30	Received Sh. 500,000 cash from Petero

Required: a) Relevant ledger entries **(10 Marks)**
b) A trial balance for Onyango on 31/1/2022 **(5 Marks)**

QUESTION FOUR

On December 2022 an inexperienced bookkeeper working for Tumaini a sole trade extracted a trial balance. Due to the errors committed the trial balance failed to balance by h. 369,400. He placed the difference in a suspense account as shown below:

Tumaini Trial Balance as at 31/12/2022

	Sh	Sh
Non-Current Assets	832,000	
Stock 1.1.2022	148,000	
Stock 31.12.2022		98,000
Trade Debtors		76,000
Prepayments		10,000
Trade Creditors	36,400	
Bank Overdraft		15,200
Accruals		16,000
Drawings	359,600	
Capital		1,054,000
Sales	1,043,200	
Provision for depreciation		166,400
Purchases		733,000
Operating expenses	126,000	
Provision for doubtful debt		3800
Discount received	5,000	
Discount allowed		5,800
Suspense account		369,400
	2,548,400	2,548,400

Investigations carried out after preparing the trial balance revealed the following:

i. Total sales day book for December 2022 was undercast by Sh. 24,800

ii. On 2 July 2022 the business purchased office equipment for Sh. 40,000. These were debited to purchases account depreciation on the on the equipment is at the rate of 10% p.a. on cost and based on the period of usage in the year.

iii. A payment to creditor by cheque of Sh. 8,500 was erroneously credited to the creditor account.

iv. A payment of Sh. 4,500 for telephone expenses was debited to telephone account as Sh. 5,400.

v. Ann amount of S. 16,000 received from a debtor was not posted to the debtors account from the cashbook.

vi. An amount of discount received of Sh. 2500 was debited to discount allowed account.

vii. Purchase daybook for October 2022 was undercast by Sh. 28,000.

Assume the business had reported a net profit of Sh. 85,000 before adjusting the above errors.

Required:

a) Adjusted trial balance and current suspense account balance **(3 Marks)**
b) Journal entries to correct the errors **(4 Marks)**
c) Suspense account balanced. **(3 Marks)**
d) Adjusted net profit **(5 Marks)**

QUESTION FIVE

a. Explain at least four books of original entries used in a local law firm using suitable examples. **(10 marks)**

b. What is the main purpose of accounting for a modern law firm? **(5 Marks)**

QUESTION SIX

a. ABC Ltd account of Motor Vehicles as at 1.1.2022 was Sh. 5,000,000 while accumulated depreciation as at that date was Sh. 2,000,000. During the year the following transactions took place:

i. A motor vehicle bought on 1.1.2022 at Sh. 1,000,000 was exchanged with a new one costing Sh. 1,300,000. The Company paid Sh. 800,000 in exchange. The exchange took place on 30.6.2022

ii. On 1.4.2022 a new motor vehicle was bought at Sh. 1,000,000.

iii. On 31.7.2022 a motor vehicle bought on 1.8.2019 at a cost of Sh. 80,000 was sold at Sh. 300,00.

It's the company policy to charge depreciation on motor vehicle at 20%@ per annum on cost with a full year charge in the year of acquisition and no charge I the year of disposal.

Required:

a. Motor vehicle accounts **(3 Marks)**
b. Provision for depreciation **(4 Marks)**
c. Disposal account **(5 Marks)**

b. Explain the main causes of depreciation. **(3 Marks)**

END

THE KENYA SCHOOL OF LAW

DIPLOMA IN LAW (PARA-LEGAL STUDIES)

2^{ND} YEAR TERM II EXAMINATION

BOOK KEEPING & ACCOUNTING I – PTP-204

28th 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 durng 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 31st 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	350	
	314,100	**314,100**

The following information was available as at 31 December 2019

a) Stock at 31 December was 22,400,000
b) There were wages and salaries on Sh. 1,200,000 owing.
c) There was a payment of shs. 1,200,000 on 30th September to cover for 12 months insurance.
d) 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.
e) Depreciation is 25% reducing balance on motors and 10% straight line on fixtures and fittings.
f) 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

a) Identify four (4) errors that cannot be disclosed by the trial balance and show how you can correct them. **(4 marks)**

b) 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		
MB 2	1 January 2013	2,500,000	1st January 2015	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:

i. Business rates of $3,600 were paid to cover the period 1 April 2021 to 31 March 2022.

ii. $ 6,000 was paid for packing materials bought

iii. $700 was owing on 31 December 2021 in respect to packing materials bought on credit.

iv. Old materials amounting $200 were sold as scrap for cash.

v. 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)**