

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:

