

THE KENYA SCHOOL OF LAW



DIPLOMA IN LAW (PARA-LEGAL STUDIES)

2ND YEAR TERM I EXAMINATION

BOOK KEEPING AND ACCOUNTING – DPS 200

24TH JULY, 2017

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) Among the documents commonly used in business are as follows:
- (i) Purchase invoice
 - (ii) Purchase credit note
 - (iii) Statement of account
 - (iv) Bank pay in slip

You are required to list under each of the above headings, the detailed information to describe the documents. **(6 Marks)**

- (b) Record the following transaction in the appropriate subsidiary books of Wagava Kimani for the month of January 2015.

- January 1 Purchased 200 trays at Shs. 200 each from Kangundo Wholesalers
2 Sold 1 dining table, on credit from Naomi Wanjuki; 300 door mats at Shs.200 each; 500 rugs at Shs. 300 each, 200 stairs clips at Shs.45 each all less 10% trade discount.
7 Sold on credit to S Mwaniki 1 oak board at Shs. 7,200
14 Sold, on credit to P. Mundia 1 bedroom suit for Shs. 6,750.
20 Purchased from Mugwe Co. Ltd on credit 100 carpets at Shs. 850 each, 500 trays at Shs.200 each. All less 10% discount.
22 Returned 10 trays received from Mugwe Co. Ltd on 20th January which were damaged on transit

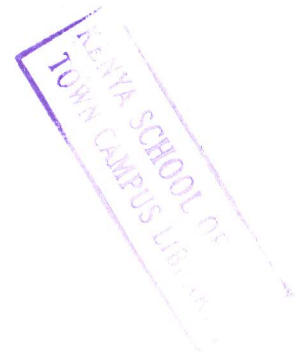
(7 Marks)

- (c) Explain the merits of an imprest system.

(4 Marks)

- (d) Omolo maintains a petty cash book on imprest system. The imprest being Shs. 30,000. The following transactions took place in 2016 April.

- April 1 Received imprest from the cashier of Shs. 30,000
3 Bought postage stamps of Shs.2,000
6 Paid Shs. 4,000 for Peter's accounts in purchases ledger
7 Bought stationery Shs. 5,000
8 Paid travelling allowance to S. Otieno an employee Shs. 4,000.
10 Paid window cleaning expenses Shs.6,000
12 Paid Lenana's account in purchases ledger Shs.5,000
14 Paid subscription for trade association Shs.2,000
17 Paid office cleaning expenses Shs.2,000
18 Received Shs.30,000 from the cashier
19 Paid S. Otieno for travelling expenses Sh. 10,000.
20 Bought electric light bulbs Shs.2,000
25 Paid Lenana's account in the purchases ledger Shs. 2,500.
26 Paid travelling expenses Shs.1,000
27 Paid for sugar, tea and milk Shs.3,000



Required:

Enter the transactions into a petty cashbook under analysis column; postage and stationery travelling expenses, cleaning expenses, sundries in a ledger column. Balance off the petty cashbook and show the balance on 1st May, 2016.

Question Two:

On 30th October, 2016 the bank statement of Munyu Traders showed a balance of Shs. 264,300 while the bank column of the cash book had a balance of Shs.247,500.

On rechecking 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.115,600 banked on 30 October had not been credited by the bank.
- (iii) Bank charges amounted to Sh.12,500. They have not been posted in the cash book.
- (iv) Standing orders Sh.25,000 have not been posted in the cash book.
- (v) The credit side of the cash book had been under cast by Sh. 9,000.
- (vi) Instructions to transfer Sh. 150,000 from the savings account to current account has not been effected in the cash book.
- (vii) A Cheque of Shs.18,500 banked on 28 October has been dishonored but the information was not received by the trader until 3 November.
- (viii) A Cheque of Shs.74,000 drawn by a trader has been posted as Sh.47,000 in the cash book.

Required:

Bank Reconciliation Statement and updated cashbook on 30 October,2016 (11 Marks)

Explain the benefits of bank reconciliation. (4 Marks)

Question Three:

The following figures were extracted from the books of ABC Ltd for the month of June, 2017:

Purchases Ledger balances	Dr. 350
	Cr.18,460
Sales Ledgers 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
Receipts from trade debtors	52,600



Payment to trade creditors	38,640
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 credits transferred to sales ledger	1,230
Purchases ledger balances 30 June	Dr.480
Sales balances	Cr.1,690

Required:

- (a) Total debtors and creditors control account. **(10 Marks)**
- (b) Merits of control account **(5 Marks)**

Question Four:

The balance sheet of Bidii Enterprises as at 31st December, 2016 is as given below.

Capital	900,000	Fixed Assets	
Profit for the year	<u>800,000</u>	Furniture & fittings	240,000
	1,700,000	Depreciation on furniture & fittings	<u>(100,000)</u>
Drawings	(600,000)		140,000
Current Liabilities	<u>1,100,000</u>	Motor vehicles	300,000
Creditors	298,000	Depreciation on vehicles	(80,000)
Suspense	<u>2,000</u>	Stock	600,000
		Debtors	340,000
		Bank	<u>100,000</u>
	<u>1,400,000</u>		<u>1,400,000</u>

Afterwards the following were discovered:

- The purchases day book had been undercast by Sh.1,600.
- The cost of new equipment (Shs.12,000) had been debited to the repairs account. Depreciation on the equipment should be provided at 15% per annum on straight line basis.
- A balance of Shs.8,000 due from J. Moko was omitted from total debtors.
- An entry of Sh.2,000 with respect to returns outwards was made in the sales day book instead of purchases day book.
- A Cheque for Shs.5,000 paid to Rukia (a creditor) was correctly entered in the cash book but was credited to her account.
- A debt of Shs.5,000 should have been taken from the proprietors own use. These were not recorded anywhere.
- Goods with a sale value of Shs.40,000 had been taken for the proprietors own use. These were not recorded anywhere.
- A discount of Shs.18,000 received had been correctly entered in the cash book but had been posted to the wrong side of discount received account.

Required:

- Journal entries to correct the above errors

- (ii) Statement of adjusted profit
- (iii) Corrected balance sheet

(15 Marks)

Question Five:

Explain using relevant examples, the documentation flow chart and how appropriate it is to an ordinary law firm. (15 Marks)

Question Six:

Brian Kamau had the following trial balance as at 31st December, 2015:

	Shs.	Shs.
Capital 1 January 2015		3,165,620
Purchases	923,600	
Sales		1,968,160
Purchases Returns		5,600
Sales Returns	16,160	
Discount allowed	18,200	
Discount received		14,080
Wages and salaries	622,000	
Rates	49,000	
Insurance	35,600	
General expenses	81,200	
Trade debtors and creditors	368,000	322,400
Bank overdraft		80,400
Stock at 1.1.15	122,000	
Land and Buildings at cost	1,700,000	
Plant and machinery at cost	1,230,000	
Motor Vehicles at cost	562,000	
Drawings	208,000	
Cash in hand	40,200	
Provision for depreciation		
Motor Vehicle		112,400
Plant and Machinery		<u>307,500</u>
	<u>5,975,160</u>	<u>5,975,160</u>



Notes:

- (i) Stock in trade on 31st December amounted to Shs. 148,400
- (ii) Rates paid in advance at 31 December, 2015 amounted to Shs. 7,000.
- (iii) Outstanding electricity bill as at 31st December, 2015 (this included in general expenses) amounted to Shs.3,580.
- (iv) Debtors include an irrevocable amount of Shs. 5,600.
- (v) A five per cent provision for doubtful debts is to be made irrecoverable debtors.

- (vi) Depreciation is to be provided on motor vehicle and plant and machinery at rates of 20% and 25% respectively on the reducing balance method. No depreciation is to be provided on land and buildings.
- (vii) Included in the wages and salaries, is an amount of Shs. 62,000 paid to domestic workers of Mr. Brian.
- (viii) Outstanding wages and salaries as at 31st December amounted to Shs. 24,800.

Required:

Income statement and balance sheet as at 31st December, 2015.

(15 Marks)

END

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DIPLOMA IN LAW (PARA-LEGAL STUDIES)

2ND YEAR TERM I EXAMINATION



BOOK KEEPING & ACCOUNTING II – DPS-200

29th JULY, 2019

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) Explain atleast four reasons for journal proper. **(4marks)**
- ii) Discuss the rationale for a petty cash **(5 marks)**
- b) Laban Mbaya, a trader had his trial balance failing to agree on 30th September 2017. He had the following list of balances:

	Sh
Sales ledger balances (1.10.2016)	227,200
Sales ledger credit balances (1.10.2016)	420
Purchases ledger debit balances (1.10.2016)	1,270
Purchases ledger credit balances (1.10.2016)	147,200
Balances for the year to 30.9.17	
Credit Sales	402,120
Credit Purchases	160,560
Sales returns	2,120
Purchases returns	4,500
Cash payment to creditors	222,700
Bad debts written off	4,700
Cash received from debtors	411,000
Dishonoured cheques	9,000
Carriage charged to customers	3,600
Discount allowed	20,110
Discount allowed on dishonoured cheques	450
Debit balances on sales transferred to purchases	2,000

The list of balances extracted from personal ledgers were as follows:

Debtors	Debit balances	206,160
	Credit balances	540
Creditors	Credit balances	83,115
	Debit balances	825

- i) Prepare control accounts **(8 marks)**
- ii) State the amount of error and in which ledger it occurred. **(2 marks)**
- c) The following are common source documents in local enterprises:
- Advice Note
 - Invoice
 - Debit Note
 - Credit Note

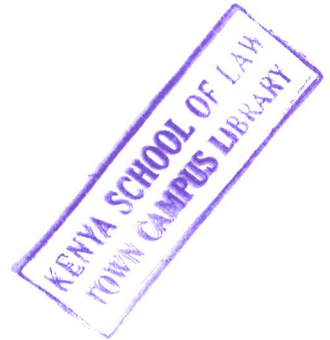
Explain the content and the use of each of the above documents. **(6 marks)**

Question Two (15 Marks)

On 31st December 2018, an inexperienced book keeper working for Wanji, a sole trader extracted a trial. Due to errors committed by the book keeper the trial balance failed to balance by Sh. 369,400. He placed the difference in a suspense account as shown below:

Wanji's Trial Balance as at 31st December 2018

	Shs	Shs
Fixed assets at cost	832,000	
Stocks – 1.1.18	148,000	
Stocks – 31.12.18		98,800
Trade debtors		98,800
Prepayments		76,000
Trade creditors	34,600	
Bank overdrafts		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
Discount allowed	5,000	
Suspense accounts		369,400
	<u>2,548,400</u>	<u>2,548,400</u>



Investigations carried out after preparing the trial balance detected the following errors:

- i) The total of sales day book for December 2018 was overcast by Sh. 24,800
- ii) On 2nd July, 2018, the business purchased office equipment for shs. 40,000. These were debited to purchases account. Depreciation 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 a creditor by cheque of Sh. 8500 was erroneously credited to the creditors account.
- iv) A payment of sh. 4,500 for telephone expenses was debited to the telephone account as sh. 5,400.
- v) An amount of sh. 16,100 received from a debtor was not posted to the debtors account from the cashbook.
- vi) An amount of discounts received of sh. 2,500 was debited to discount allowed account.
- vii) Purchases day book for October 2018 was undercast by sh. 28,000.

Assume the business had reported a net profit of sh. 85,800 before adjusting for the above errors.

Required:

- i. Adjusted trial balance and correct balance of the suspense account (4 marks)
- ii. Journal entries to correct the errors (3 marks)
- iii. Suspense account (4 marks)
- iv. Adjusted net profit for the year (4 marks)

Question Three (15 Marks)

- a) A trainee accountant working for a soletrader Juma Mamboleo has prepared the following summary of cashbook for the month of March 2019.

Cashbook

Opening Balance	561,000	Payments	4,189,000
Receipts	<u>3,768,000</u>	Closing balance	<u>120,000</u>
	<u>4,309,000</u>		<u>4,309,000</u>

While checking the cashbook against the bank statement, you find the following:

- Bank charges Sh. 8,000 shown in the bank statement have not been entered in the cashbook.
- The bank has debited a cheque of sh. 37,000 in error to the accountants of Juma.
- Cheques totaling sh 96,000 have not yet been presented to the bank for payment.
- Dividends received of sh 42,000 which were not entered in the cashbook had been credited in the bank statement.
- There were cheques received of sh 484,000 which were entered in the cashbook but not yet credited by the bank.
- A cheque for sh 17,000 has been returned by the bank marked return to drawee.
- Opening balance in the cashbook should have been sh. 651,000 and not sh 561,000.
- The bank statement showed an overdraft as at 31st March 2019 of sh 198,000.

Required:

- i. State and briefly explain two purposes of bank reconciliation. (2 marks)
- ii. Entries necessary to correct cash book. (5 marks)
- iii. Bank reconciliation statement as at 31st March 2019 (8 marks)

Question Four (15 Marks)

- a) Explain atleast four advantages of books of prime entry. (4 marks)
- b) J. Njuguna maintains a petty cashbook on imprest system. The imprest being sh 30,000. The following transactions took place in April 2019.

April 1 -	Received imprest from the cashier of sh 30,000
April 3 -	Bought postage stamps of sh 2,000
6 -	Paid sh 4,000 for Peter's account in purchase ledger
7 -	Bought stationery sh 5,000
8 -	Paid travelling allowance to Otieno an employee sh 4,000
10 -	Paid window cleaning expenses sh 6,000
12 -	Paid Lenana's account in the purchases ledger sh 5,000
14 -	Paid subscriptions for trade association sh 2,000
17 -	Paid office cleaning expenses sh 2,000
18 -	Received sh 30,000 from the cashier
19 -	Paid S. Otieno for travelling expenses sh 10,000
22 -	Bought electric light bulbs sh 2,000
25 -	Paid Lenana's account in purchases ledger sh 2,500
26 -	Paid travelling expenses sh 1,000
27 -	Paid for sugar, tea and milk sh 3,000

Required:

Enter into a petty cashbook under analysis column: Postage and stationery, travelling expenses, cleaning expenses, sundries and ledger column. Balance the petty cashbook showing reimbursement required and balance brought down. (11 marks)

Question Five

The following information was provided to Mboya for the month of March 2018.

2018		
March 1 Balance brought forward	Cash	23,000
	Bank	475,000

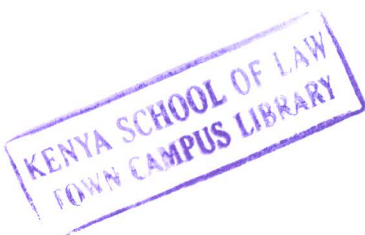
- 2 The following paid their accounts by cheque, in each case deducting 5% discount. R. Boyoji Sh 14,000, E. Tamara sh 22,000 and R. Hamisi sh 30,000
- 4 Paid rent by cheque sh 12,000
- 6 J. Coco lent us sh 100,000 paying by cheque
- 8 We paid the following accounts by cheque in each case deducting a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

Required

Three column cashbook and other relevant accounts in the general ledger. (15 marks)

Question Six

- a) Using a legal firm of your choice, discuss the use of atleast six source documents, provide the contents of each of the documents and explain the flow chart of the documentation above. (12 marks)
- b) What are the main advantages of control accounts (3 marks)

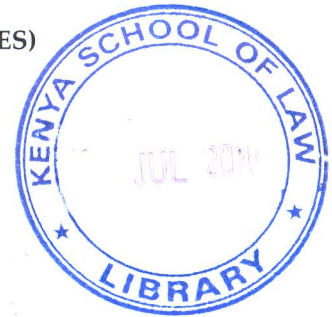


THE KENYA SCHOOL OF LAW



DIPLOMA IN LAW (PARA-LEGAL STUDIES)

2ND YEAR TERM I EXAMINATION



BOOK KEEPING & ACCOUNTING II – DPS-200

30TH JULY, 2018

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) Using appropriate examples explain at least five source documents commonly used by law firms in Kenya. **(5 marks)**
- ii) Discuss any four advantages of imprest system in book-keeping. **(4 marks)**
- b) i) Write up a three column cashbook from the following details, balance off at the end of the month and show the relevant discount accounts as they would appear in the journal proper.

October 2014

		Sh
1	Balances brought forward:	
	Cash in hand	780
	Cash at Bank	12,560
2	The following persons were paid their accounts by cheque in each case deducting 5% cash discount; Naser sh.200; Mansil sh.600; Saleh sh.3,600; Gambo sh.800.	
3	Paid rent cash sh.120	
4	The following persons paid their accounts by cheque in each case deducting 5% cash discount; Musa sh.800; Kamal sh.600; Kaka sh.200; Jibril sh.1,200.	
5	Paid Musa his account sh.670 by cheque; No discount deducted.	
6	Cash sales paid direct into bank sh.750.	
10	Cash drawings sh.400	
11	Famil paid his account sh.890 by cheque sh.850 deducting 40 cash discount.	
17	Cash withdrawn from the bank sh.1000 for business use.	
19	Salaries paid in cash sh.800.	
20	The following persons paid their accounts by cheque in each case deducting 5% cash discount; Mary sh.1,400, Magdalene sh.1000, Bayo sh.3,800.	
25	Internet browsing in cash sh.300	
28	The proprietor pays a further sh.10,000 capital into the bank from his private moneys	
30	Balance paid sh.760 in cash	
31	The proprietor banked all the money in office except sh.150. (10 marks)	

ii) What do you understand by contra entry? Briefly explain. **(2 marks)**

c) Explain at least **four (4)** merits of control accounts. **(4 marks)**



Question Two (15 Marks)

The following is a summary of a cash book as presented by Fatima Ltd for the month of July 2017.

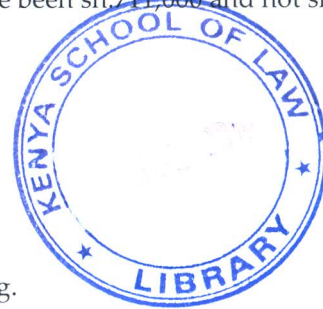
	Sh'000		Sh'000
Receipt	1469	Bal b/d	761
Bal. c/d	554	Payments	1262
	<u>2023</u>		<u>2023</u>

All receipts were banked and all payments were made by cheque. Upon investigation the following was discovered.

- i) Bank charges of sh.36000 entered on the bank statement have not been entered in the cash book.
- ii) Cheques drawn amounting to sh.267,000 had not been presented for payment.
- iii) A cheque for sh.22000 for sundries had been entered in the cash book as receipt instead of payment.
- iv) Cheques totaling to sh.762,000 had been entered in the cash book and paid into the bank but had not been credited by the bank until 3 August.
- v) A cheque received from Omar sh.80,000 had been returned by the bank and marked No funds available. No adjustments had been made in the cash book.
- vi) A standing order for a business rate installment of sh.150,000 on 30 July had not been entered in the cash book.
- vii) All dividends received were credited directly to the bank account. In July sh.62,000 were credited.
- viii) A cheque drawn of sh.66,000 for stationery had been incorrectly entered in the cash book as sh.60,000.
- ix) Balance brought forward in the cash book should have been sh.711,000 and not sh.761,000.

Required:

- a) Bank reconciliation statement as at July 2017.
- b) Briefly explain any four reasons for bank reconciliation.



Question Three (15 Marks)

- a) Explain the relevance of subsidiary books in Book-keeping.
- b) On January 1 2015 the sales ledger balance of Mali Mingi was sh.2,400 while purchases ledger had a credit balance of sh.970 credit.

The following transactions took place in the month of January:

	Sh
Credit Sales	35180
Bad debts	845
Dishonored Cheques	1250
Returns Inwards	1570
Credit Purchases	18060
Bills receivables	4500
Cash received from debtors	15600
Cash paid to creditors	11400
Discount allowed	450
Discount received	945
Cheques from debtors	7500
Bills payable	2150
Dr. Balance in purchases ledger	
Transferred to sales ledger	260
Discount allowed but subsequently disallowed	150
Discount received but	

Required: Total debtors and total creditors control accounts.

Question Four (15 Marks)

Babatunde had been trading for some years, his list of balances extracted as at 30/4/14, end of his most recent financial year was:

	Shs.
Capital	83,887
Sales	259,870
Trade discount payable	19,840
Return out	13,407
Allowance for doubtful debt	512
Discount allowed	2,306
Discount received	1,750
Purchases	135,680
Returns inwards	5,624
Carriage outwards	4,562
Drawings	18,440
Carriage inwards	11,830
Rent rates and insurance	25,973
Heating and lighting	11,010
Postage stationery and telephone	2,410
Advertising	5,980
Salaries and wages	38,521
Bad debts	2,008
Cash in hand	534
Cash at bank	4,440
Inventory 1.5.13	15,654
Trade discount receivable	24,500
Fixtures and fittings at cost	120,740
Provision for discount on fixtures and fittings	63,020
Depreciation	12,074

The following additional information was available:

- i) Inventory at the close of the business was valued at sh.17,750.
- ii) Insurance had been prepaid by sh.1,120
- iii) Heating and lighting had been accrued by sh.1,360
- iv) Rates have been prepaid by sh.5,435
- v) Allowance for doubtful debts is to be adjusted to 3% of accounts receivable.

Required: Income statement and statement of financial position as at 30/4/14.

Question Five

- a) Identify four errors that cannot be disclosed by the trial balance. (4 marks)
- b) The book keeper of Wemba extracted a trial balance that failed to agree by sh.7,070 which was placed on the credit side of suspense account for the year ended 31 May 2018 resulting into a profit of kshs.5000. Later, attempts to find errors were investigated as follows:-
- Sales daybook was undercast by shs. 10,000.
 - Discount received of shs. 1,080 from ABC suppliers had been correctly entered in the cash book but not posted to the ABC account.
 - Purchases daybook was undercast by sh.5,850.
 - Shs.2,200 received from a debtor had been debited to his account.
 - Discount allowed sh.200 had been posted on the credit side.
 - Discount allowed sh.500 has not been entered in discount allowed column of the cash book. Instead the sales have been recorded in the cash column as sh.10,000 (including discount allowed) while the customer account has been correctly credited with discounts and cash received.

Required:

- Journal entries to correct the errors (3 marks)
- Suspense account duly balanced (4 marks)
- A statement of corrected net profit. (4 marks)

Question Six

- a) Explain the documentation flow chart using relevant documents for an organization of your choice. (10 marks)
- b) What are the main benefits of Bank reconciliation to a firm. (5 marks)