



LAW SCHOOL

FOURTH YEAR UNIVERSITY EXAMINATION FOR BACHELOR OF LAWS
(LLB) DEGREE

ACCOUNTING FOR LAWYERS

RLLB 401

DECEMBER 2015

Examiner: Florence Shako

Instructions:

1. Time allowed is 3 hours
2. This exam comprises of two sections, Section A and Section B
3. Section A comprises of two compulsory questions carrying 30 marks each
4. Section B comprises of two questions carrying 10 marks each. Answer only ONE question in this section
5. This examination paper carries a total of 70 marks
6. This is a closed book examination. You may not refer to any reference materials in whatever form. Only calculators are permitted into the examination room

SECTION A

Question One and Two are compulsory. Answer **BOTH** questions.

QUESTION ONE (30 marks)

Mwanaisha runs a wholesale business in the suburbs of Malindi town. Her trial balance for the year ended 31/12/2014 is as follows:

	Dr Shs. '000'	Cr Shs. '000'
Land and buildings	6,500	
Equipment	5,000	
Fixtures	4,000	
Stock (1/1/2014)	3,000	
Sales/Purchases	22,500	35,000
Salaries and wages	1,500	
Electricity	1,000	
Returns	2,000	1,000
Carriage outwards	300	
Discounts	1,500	1,000
Debtors/Creditors	7,000	4,000
Bad debts	350	
Provision for bad & doubtful debts		500
Motor vehicle expenses	1,500	
Sundry expenses	1,000	
Rent	500	
Telephone	300	
Rent prepaid	150	
Carriage inwards	200	
Drawings	2,500	
Capital		19,300
	<u>60,800</u>	<u>60,800</u>

Additional information

1. Stock at 31/12/2014 amount to Shs. 3,000,000.
2. Provision for bad and doubtful debts is set at 5% of current debtors.

3. Telephone and motor vehicle expenses paid in advance amount to Shs. 100,000 and 200,000 respectively.
4. A quarter of sundry expenses relates to the year 2015.
5. The prepaid rent in the trial balance relates to the year 2013.
6. Electricity bill for the year was Shs. 800,000.
7. Depreciation is provided on equipment and furniture and fittings at 15% and 10% on cost respectively.

Required:

- i. Draw Mwanaisha's trading, profit and loss account for the year ended 31/12/2014 (15 marks)
- ii. The balance sheet as at that date (15 marks)

QUESTION TWO (30 marks)

Musa and Otieno are in partnership sharing profits and losses in the ratio 3:2 respectively after interest on capital of 5% and a salary of Shs. 20,000 and Shs. 30,000 per month respectively. Their trial balance for the year ended 31/12/2014 is as follows:

	Dr Shs. '000'	Cr Shs. '000'
Plant and machinery	5,000	
Motor vehicles	4,000	
Furniture and fittings	3,000	
Sales/Purchases	5,000	11,000
Stock (1/1/2014)	1,000	
Discount	500	1,000
Provision for bad debts		500
Debtors/Creditors	3,000	2,000
Cash and Bank	2,000	
Rent and rates	500	
Electricity and water	400	
Bad debts	400	

Provision for depreciation:		
Plant and machinery		2,000
Motor vehicles		1,000
Furniture and fittings		1,000
Returns	500	1,000
Salaries and wages	1,000	
Drawings: Musa	1,000	
Otieno	500	
General expenses	1,000	
Capital accounts: Musa		5,400
Otieno		3,000
Current accounts: Musa		500
Otieno		400
	<u>28,800</u>	<u>28,800</u>

Additional information

1. Stock as at 31/12/2014 amount to Shs. 1,500,000.
2. Salaries and wages in arrears amount to Shs. 200,000 while rent and rates paid in advance is Shs. 100,000.
3. General expenses paid in advance amount to Shs, 300,000 while electricity and water in arrears is Shs. 200,000.
4. Depreciation is charged as follows:
 - a) Plant and machinery 10% on cost.
 - b) Motor vehicles 20% on reducing balance.
 - c) Furniture and fittings 15% on cost.
5. Provision for bad and doubtful debts is to be maintained at 10% of debtors.

Required:

For the year ended 31/12/2014, prepare the following financial statements:

- i. Partnership's Trading, Profit and Loss account (10 marks)
- ii. Partner's Appropriation and Current accounts (10 marks)
- iii. Partnership's Balance Sheet (10 marks)

SECTION B

Answer **EITHER** Question Three or Four. Do **NOT** answer both questions

QUESTION THREE

“The fiduciary nature of the advocate-client relationship and the need for public confidence in the legal profession require lawyers to have a sound understanding of trust accounts. The purpose of these accounts is to safeguard the client and third party funds from loss in which case the advocate must diligently keep all the accounts in the Estate Book in a manner that is complete and accurate.”-Mary Kimari, *Accounting for Lawyers*.

Critically analyze this statement.

(10 marks)

QUESTION FOUR

“Lawyers should strive to understand advocates accounts to aid them uphold the fundamental pillar of corporate governance. As a general rule, an advocate should not withdraw money from the client account. Further, every advocate shall at all times keep proper written books which reflect various issues affecting advocates and which clearly show the disbursements and work in progress of the firm.”-Anon.

Critically analyze this statement.

(10 marks)