



RIARA LAW SCHOOL

UNIVERSITY EXAMINATION FOR BACHELOR OF LAWS (LLB) DEGREE

JULY- AUGUST 2017

RLLB 401: ACCOUNTING FOR LAWYERS

Examiner: Caroline Lichuma

INSTRUCTIONS

1. This is the final examination in Accounting for Lawyers. You will earn 70% of your final grade from this final examination and 30% from Continuous Assessment Assignments.
2. This examination has **THREE** questions. Please answer **ALL THREE QUESTIONS**.
3. This examination has 6 pages, including this one.
4. Time allocated for this examination is **THREE** (3) hours. You must stop writing when time is called.
5. An extra **15 MINUTES** will be given for reading through the questions.
6. Please sign the roll sheet when you turn in your answer sheet. If you fail to sign the roll sheet, we shall have no way of establishing that you sat for this examination and your marks will not be reported.
7. This is a **CLOSED BOOK** examination. This means you are not permitted to bring ANY hard or soft materials to the examination room. You are also not allowed to access materials stored in computers, electronic gadgets or the internet. You should not bring to the examination room any of the following: cell phones, tablets, computers, statutes, notes, outlines, or books. Neither should you bring to the examination room books or materials unrelated to this course. If you need to have medicine or food items with you, please let the invigilator know before the examination begins.
8. This examination is governed by **Riara University Academic Honesty Regulations**. Students who violate those regulations will be penalized. Students have an obligation to report to the invigilator any incidences of academic dishonesty compromising the integrity of this examination.

QUESTION ONE (30 Marks)

- a) Outline any **FIVE** uses of a Statement of Comprehensive Income to a company
(5 Marks)
- b) Evaluate any **TWO** ledger accounts that are specifically prepared by an advocate as part of the Advocate's Accounts
(5 Marks)
- c) Marion Hamisi runs a sole proprietorship in Kakamega town. Her trial balance for the year ended 31/12/2016 is as follows:

	Dr. <u>Sh. "000"</u>	Cr. <u>Sh. "000"</u>
Motor vehicles	4,000	
Furniture and fittings	3,000	
Stock (1/1/2016)	2,000	
Sales		30,000
Purchases	20,000	
Returns	2,000	1,000
Discounts	3,000	1,000
Debtors/Creditors	8,000	4,000
Bad debts	1,000	
Provision for bad and doubtful debts		500
Motor vehicle expenses	1,000	
Rent	500	
Salaries and Wages	1,000	
Electricity and water	1,500	
Telephone	300	
Carriage inwards	200	
Carriage outwards	300	
Drawings	3,000	
Capital		14,300
	<u>50,800</u>	<u>50,800</u>

Additional Information:

1. Stock as at 31/12/2016 amounted to Sh. 5,000,000
2. Provision for bad and doubtful debts is set at 5% of current debtors

3. Motor vehicle expenses unpaid amounted to Sh. 350,000, rent paid in advance amounted to Sh. 150,000 while salaries and wages prepaid was Sh. 250,000
4. A quarter of telephone bills relate to the year 2017.
5. Unpaid electricity and water amount to Sh. 100,000
6. Depreciation is provided in motor vehicles and fixtures at 20% and 10% respectively on cost.

Required:

- i. A trading profit and loss account for the year ended 31/12/2016 **(12 Marks)**
- ii. A balance sheet as at 31/12/2016 **(8 Marks)**

QUESTION TWO (20 Marks)

- a) On examining the books of Riara Traders Ltd, you ascertain that on 1/1/2016 the receivables ledger balances were Sh. 8,024 debit and Sh. 57 credit, and the payables ledger balances on the same date were Sh. 6,235 credit and Sh. 105 debit.

For the year ended 31/12/2016 the following particulars are available.

	Sh.
Sales	63,728
Purchases	39,974
Cash from trade accounts receivable	55,212
Cash to trade accounts payable	37,307
Discount received	1,475
Discount allowed	2,328
Returns inwards	1,002
Returns outwards	535
Irrecoverable debts written off	326
Cash received in respect of debit balances in payables ledger	105

Amount due from customer as shown by receivables ledger, offset against amount due to the same firm as shown by payables ledger (settlement by contra)	434
Allowances to customers on goods damaged in transit	212

On 31/12/2016 there were no credit balances in the receivables ledger except those outstanding on 1/1/2016, and no debit balances in the payables ledger.

Required:

Prepare the following accounts in order to record the above transactions, Bring down the balances as at 31/12/2016

- i) Receivables control account **(6 Marks)**
 - ii) Payables control account **(6 Marks)**
- b) On the 1st of January 2016 Highrise Ltd. had motor vehicles valued at a cost of Sh. 580,000. On the same date the accumulated depreciation was reported at Sh. 216,000. In June 2016 a motor vehicle which had been purchased for Sh. 160,000 on January 1st 2013 was sold for Sh. 115,000.

Assuming that depreciation on motor vehicles is charged at 10% on cost, record the above transactions in the appropriate accounts and determine whether there was a gain or loss on disposal of the motor vehicle. **(8 Marks)**

QUESTION THREE (20 Marks)

- a) Andrew and Peter are in a partnership sharing profits and losses in the ratio 3:2 respectively after crediting their accounts with interest on capital at 10% p.a. and monthly salaries of Sh. 15,000 and Sh. 20,000 respectively. Interest on drawings is charged at 5% p.a.

Their trial balance as at 31/12/2016 after drawing the profit and loss account is as follows:

	Dr.	Cr.
	<u>Sh.</u>	<u>Sh.</u>
Capital: Andrew		500,000
Peter		400,000
Current: Andrew		20,000
Peter		10,000
Drawings: Andrew	225,000	
Peter	215,000	
Net profit		800,000
Fixed assets (cost)		
Land and buildings	500,000	
Plant and machinery	300,000	
Motor vehicle	200,000	
Accumulated depreciation		
Land and buildings		100,000
Plant and machinery		50,000
Motor vehicle		50,000
Debtors	100,000	
Stock	200,000	
Cash	290,000	
Creditors		100,000
	<u>2,030,000</u>	<u>2,030,000</u>

Required:

Prepare the following:

- i. Profit and loss appropriation account (4 Marks)
- ii. The current accounts (2 Marks)
- iii. The balance sheet as at 31/12/2016 (4 Marks)

b) Lichuma & Co. Advocates recorded the following transactions for the month of July 2017.

1. On 1st July received funds from various clients, namely:
 - A– Sh. 30,000
 - B – Sh. 45,000
 - C – Sh. 50,000
 - D – Sh. 25,000
2. On 17th July B authorized the firm to make a payment of Sh. 5,000 to the plaintiff in her matter before the High Court as adjournment costs.
3. On 18th July a new client E who required a legal opinion on how to form a company was charged Sh. 80,000
4. On 19th July for witnessing and certifying documents F was charged Sh. 7,500 and the firm received Sh. 20,000 from E
5. On 20th July the firm made a payment on behalf of F of Sh.1,000
6. On 22nd July the firm filed a memorandum of appearance and a defense on behalf of C. She was charged an interim deposit of Sh. 15,000 which the client authorized a transfer of
7. The firm has incurred expenses to the tune of Sh. 50,000 as at 25th of July

Required:

Record the above transactions in the following ledger accounts:

- | | |
|----------------------|-----------|
| i. Cashbook | (4 Marks) |
| ii. Clients' Account | (4 Marks) |
| iii. Fee Income | (1 Marks) |
| iv. Expense Account | (1 Marks) |

***** ALL THE BEST *****