

CHUKA

UNIVERSITY



## UNIVERSITY EXAMINATIONS

## EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF LAWS

BLAW 422: ACCOUNTING FOR LAWYERS

STREAMS: BLAW

TIME: 2 HOURS

DAY/DATE: MONDAY 14/04/2025

8.30 A.M. – 10.30 A.M.

## INSTRUCTIONS:

- Answer question ONE and any other TWO questions only
- Do NOT write anything on the Question paper

## QUESTION ONE

- a) Accounting department of Tharaka-Nithi Land Resources Investment Ltd has provided the following trial balance as on 31<sup>st</sup> March 2025

Particulars	Dr sh 000	Cr sh 000
Capital		76,000
Freehold premises	70,000	
Plant and machinery	46,000	
Motor van	30,000	
Debtors and creditors	17,000	14,160
Purchases and sales	57,000	85,600
10% cooperative bank loan		20,000
Bad debts	860	
Stock	7,240	
General expenses	2,000	
Interest on loan half year	1,000	
Discounts	1,100	840
Bank balance	9,560	
Salaries	9,000	
Directors fees	4,000	
Insurance premium	800	
Provisions for depreciation		
• Plant and machinery		35,000
• Motor van		16,000
Commission received		8,000
	<b>255,560</b>	<b>255,560</b>

Additional information on 31<sup>st</sup> March 2025

- 1) Insurance prepaid sh 120,000
- 2) Stock sh 6,860,000
- 3) Provisions for bad debts sh 3,000,000 is to be made
- 4) Depreciation on plant and machinery as well as motor vehicle to be made at 20% on reducing balance
- 5) Interest on cooperative bank loan for half year is accrued

**Required:**

- i) Income statement for the year ended 31<sup>st</sup> march 2018 (12 marks)
  - ii) Statement of financial position on the same date (10 marks)
- b) Identify and briefly explain the various prime books of entry in accounting, disclose their purposes in day to day operations of business (8 marks)

**QUESTION TWO**

Okiondo Moturi is a sole trader at Tononoka market. He has provided to you the following transactions for the month of March 2025

2025

- |       |    |  |
|-------|----|--|
| March | 1  | Started business with capital of Kshs.600,000 and sh 3,000,000 in cash and bank respectively |
| a) “  | 2  | Bought goods on credit from Alice Kshs. 220,000.   |
| b) “  | 3  | Paid electricity bill by cash Kshs.28,000 and cheque sh 10,000                               |
| c) “  | 4  | Deposited Kshs. 100,000 of cash into a bank account.   |
| d) “  | 5  | Sold goods on credit to Sarasia Kshs.79,000.   |
| e) “  | 7  | Bought office stationery Kshs.50,000 paying by cheque.                                       |
| f) “  | 11 | Sales sh Kshs. 80,000 and sh 120,000 in cash and cheques respectively                        |
| g) “  | 17 | Sold goods on credit to Akirano Kshs 88,000.   |
| h) “  | 18 | Received commission sh 60,000 in cash  |
| i) “  | 20 | Paid for repairs to the building by cash Kshs.8000.  |
| j) “  | 22 | Paid commission to Kawira sh 20,000 by cheque  |

- k) “ 24 Received payment from Sarasia Cash sh 40,000 and cheque sh 39,000
- l) “ 27 Paid Alice by cheque Kshs. 210,000.
- m) “ 28 Cash purchases of goods Kshs.90,000.
- n) “ 30 Paid motor vehicle expenses in cash Kshs 20,000 and sh 17,000 in cash and by cheque respectively.
- o) “ 31 Bought Motor vehicle from CMC Kshs.1,500,000 by cheque

**Required:**

- a) Two column cashbook balanced off (6 marks)
- b) Balanced ledger accounts (10 marks)
- c) Trial balance (4 marks)

**QUESTION THREE**

- a) Explain activities entailed in the accounting process or procedures (7 mark)
- b) Identify four external users of accounting information of a Public Limited Company (PLC), highlight their specific needs or interest in the books (8 marks)
- c) State the accounting errors that may not be detected by a trial balance (5 marks)

**QUESTION FOUR**

Kiambu Motors Ltd has provided the following statement of financial position for the year ended 31<sup>st</sup> March 2025

Particulars	Ksh	Particulars	Ksh
Equity capital	360,000	Land and buildings	105,000
10% Debentures	124,600	Plant and machinery	100,000
Creditors	140,000	Stock	210,000
Bank overdraft	51,000	Debtors	160,000
Accruals	24,400	Cash at hand	40,000
		Bills receivables	24,000
	<b>700,000</b>		<b>700,000</b>

**Additional information:**

- i. Annual purchases sh 420,000
- ii. Opening stocks sh 130,000
- iii. General expenses sh 44,000
- iv. Annual gross sales sh 420,000
- v. Sales returns sh 20,000
- vi. Closing stocks sh 210,000

**Required:**

- i) Gross profit ratio (3 marks)
  - ii) Net profit ratio (3 marks)
  - iii) Current ratio (3 Marks)
  - iv) Quick ratio (2 marks)
  - v) Gearing ratio (2 marks)
  - vi) By use of these ratios, Interpret and comment on the liquidity and solvency status of the company (7 marks)
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