



KISII UNIVERSITY
UNIVERSITY EXAMINATIONS

SPECIAL EXAMINATIONS
SECOND YEAR EXAMINATION FOR THE AWARD OF THE
DEGREE OF BACHELOR OF LAWS
SECOND SEMESTER, 2021/2022
(FEBRUARY - JUNE, 2022)

LLBK 228: TRUST ACCOUNTS AND ACCOUNTING FOR LAWYERS

STREAM: Y2 S2

TIME: 2 HOURS

DAY: WEDNESDAY, 8:00 – 10:00 A.M.

DATE: 20/07/2022

INSTRUCTIONS

- 1. Do not write anything on this question paper.***
- 2. Answer question ONE (Compulsory) and any other TWO questions.***
- 3. Illustrate your answer with relevant cases and statutory provisions where applicable.***

a) Explain what makes information in financial statements relevant to users.
(5 marks)

b) Describe the nature of accounting and the accounting equation
(10 marks)

c) Brian Barmouth is a sole trader. At 30 June 2010 the following balances have been extracted from his books:

	Sh.
Sales	47,600.00
Purchases	22,850.00
Office expenses	1,900.00
Insurance	700.00
Wages	7,900.00

Rates	2,800.00
Heating and Lighting	1,200.00
Telephone	650.00
Discounts allowed	1,150.00
Opening stock	500.00
Returns inwards	200.00
Returns outwards	150.00
Premises	40,000.00
Plant and Machinery	5,000.00
Motor Vehicles	12,000.00
Debtors	12,500.00
Bank balance	7,800.00
Creditors	3,400.00
Loan-long term loan	10,000.00
Capital	60,000.00
Drawings for the year	4,000.00
Closing stock	550.00

Required:

Construct a trial balance, from the above list of balances. (5 marks)

QUESTION 2

Mary Balance Sheet as at 31 December 2000

Non Current Assets	£	£
Premises		25,000.0
		0
Plant		<u>12,000.0</u>
		0
		37,000.0
		0
Current Assets:		
Stock	11,000.00	
Debtors	10,000.00	

Cash at bank	5,000.00	
Cash in hand	<u>3,000.00</u>	
	29,000.00	
Current liabilities:		
Creditors	(12,000.00)	<u>17,000.0</u>
	1	<u>0</u>
		<u>54,000.0</u>
		<u>0</u>
Capital		34,000.0
		0
Non Current Liabilities:		
Loan from bank		<u>20,000.0</u>
		<u>0</u>
		<u>54,000.00</u>

During the year to 31 December 2001 the following total transactions occurred:

- Mary withdrew a total of £10,000.00 in cash
- Stock in trade was bought, all on credit, for £34,000.00
- Sales were made totaling 60,000.00 of stock in trade which had cost £37,000.00. Of these sales £51,000.00 were on credit and £9,000.00 for cash.
- A total of £16,000.00 was drawn from the bank in cash to the cash till.
- Electricity for the year paid by cheque totaled £2,000.00
- Rates for the year paid by cheque totaled £1,000.00
- Wages for the year all paid cash totaled £10,000.00
- Sundry expenses all paid in cash totaled £2,000.00
- Creditors were paid a total of £36,000.00 all by cheque
- Debtors paid a total of £54,000.00 all in cheques.
- The bank charged interest on the loan deducting £3,000.00.

Required:

Prepare a revised statement of financial position

(15 marks)

QUESTION 3

From the following trial balance of P Boones draw up a trading and profit and loss account for the year ended 30 September 2002, and a balance sheet as at that date.

	Dr	Cr	
	£	£	
Stock 1 October 2001		23,680	
Carriage outwards	2,000		
Carriage inwards	3,100		
Returns inwards		2,050	
Returns outwards			3,220
Purchases		118,740	
Sales			186,000
Salaries and wages		38,620	
Rent		3,040	
Insurance		780	

Motor expenses	6,640	
Office expenses	2,160	
Lighting and heating expenses	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	18,000	
Fixtures and fittings	3,500	
Debtors	38,960	
Creditors	17,310	
Cash at bank	4,820	
Drawings	12,000	
Capital		126,360
	332,890	332,890

Closing stock 29460

QUESTION 4

a. Briefly explain the meaning and the significance of the following:

- | | | |
|---------------------------|---|-------|
| (ii) Accounting concepts. | 2 | marks |
| (iii) Accounting bases. | 2 | marks |
| (iv) Accounting policies. | 2 | marks |
| (v) Accounting standards. | 2 | marks |

a. Define the following accounting concepts and for each explain their implication in the preparation of financial statements.

- | | | |
|-------------------------------|---|-------|
| (i) The Going concern concept | 2 | marks |
| (ii) Business entity concept | 2 | marks |
| (iii) Materiality | 2 | marks |

QUESTION 5

Mr J Ockey commenced trading as a wholesaler stationer on 1 May 2000 with a capital of Sh.5,000.00 with which he opened a bank account for his business.

During May the following transactions took place.

May 1 Bought shop fittings and fixtures from store fitments Ltd for Sh.2,000.00

May 2 Purchased goods on credit from Abel Sh.650.00

May 4 Sold goods on credit to Bruce Sh.700.00

May 9 Purchased goods on credit from Green Sh.300.00

May 11 Sold goods on credit to Hill Sh.580.00

May 13 Cash sales paid into bank account Sh.200.00

May 16 Received cheque from Bruce in settlement of his account

May 17 Purchased goods on credit from Kay Sh.800.00

May 18 Sold goods on credit to Nailor Sh.360.00

May 19 Sent Cheque to Abel in settlement of his account

May 20 Paid rent by cheque Sh.200.00

May 21 Paid delivery expenses by cheque Sh.50.00

May 24 Received from Hill Sh.200.00 on account

May 30 Drew cheque for personal expenses Sh.200.00 and assistant wages Sh.320.00

May 31 Settled the account of Green.

Required

- a) Post the entries in the ledger accounts
- b) Balance the ledger accounts where necessary
- c) Extract a trial balance as at 31 May 2000.