

**NATIONAL UNIVERSITY OF LESOTHO**

**FACULTY OF LAW**

**LL.B FINAL EXAMINATIONS**

**L386 – ACCOUNTING FOR LAWYERS**

**MAY 2018**

**MARKS: 100**

**TIME: 3 HOURS**

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**INSTRUCTIONS:**

1. Answer any **FOUR (4)** questions.
2. All relevant workings and calculations must be shown to earn full marks.
3. Where necessary, the final answer should be rounded to the nearest Loti.

## QUESTION 1

Your friend who does not have an appreciation of accounting has been wondering about the meaning of the following terms as used in financial accounting.

With clear examples, explain the following pairs and terms ensuring the meaning is conveyed clearly:

- a) Depreciation and the Dual Concept. **4 Marks**
  - b) The business entity concept and the accounting period concept. **4 Marks**
  - c) Current assets and current liabilities. **4 Marks**
  - d) The difference between mixed trust account and separate interest-bearing trust account. **4 Marks**
  - e) **ONE (1)** accounting system that may be adopted for trust accounts. **3 Marks**
  - f) Three responsibilities that rest on a person who exercises a power of attorney or has sole signing authority over estate assets or as an Attorney with control over the estate assets. **3 Marks**
  - g) Three different records that should be maintained for trust accounts. **3 Marks**
- [25 MARKS]**

## QUESTION 2

In each of the following cases, indicate and explain the importance of the subsidiary book, the source document used in recording transactions and which transactions are debited and credited in these subsidiary books:

- a) Sales Day Book **4 Marks**
- b) Purchases Day Book **4 Marks**
- c) Sales Returns Day Book **4 Marks**

d) Returns Outwards Book **4 Marks**

e) The three-Column Cash Book **9 Marks**

**[25 MARKS]**

### QUESTION 3

The following is a list of balances relating to the business of Potlaki (Pty) Ltd

As at 31 March 2017:

Land & buildings	M320,000
Trade receivables	M185,000
Inventories	M153,000
Office equipment	M207,000
Trade payables	M3,100
Loan from FNB	M260,000
Motor vehicles	M38,000
Trade Payables	M86,000

From the above balances:

a) Prepare the statement of financial position as at 31 March 2017. **9 Marks**

b) Calculate the equity from the balances. **2 Marks**

c) Provide an interpretation of the statement by making reference to the following :

i) The liquidity of the business **4 Marks**

ii) The mix between current and non-current assets **5 Marks**



- iii) The financial structure of the statement of financial position  
(finance provided by owners and outsiders)

**5 Marks**

**[25 MARKS]**

#### **QUESTION 4**

The following transactions were undertaken by 'Mémantho, a petty general grocer at Roma, for the month of January:

- 1 January - started a business on paying M12,000 into a bank account.
- 4 January - purchased goods for resale paying by cheque M1,200.
- 8 January - purchased an old motor van for M5,000 paying by cash
- 12 January - sold goods for cash M800.
- 18 January - purchased goods on credit M500 from Ntate Emoholo.
- 21 January - took goods costing M700 for his own use.
- 25 January - took his old laptop costing M1,500 to the business for use by the business.

- (a) Enter the above transactions in the ledger of 'Mémantho, for the month of January 2017 and balance off the accounts.

**14 Marks**

- (b) Explain the 'term' trial balance.

**1 Mark**

- (c) Differentiate between prepaid expenses and accrued expenses.

**4 Marks**

- (d) With one example for each, distinguish between revenue and capital expenditure.

**6 Marks**

**[25 MARKS]**

### QUESTION 5

The following is a trial balance extracted from the ledger of Ntate Moremoholo, a small retailer in Bela-Bela as at 31 March 2018:

	Debit	Credit
Inventory 1 April 2018	2,400	
Purchases	12,860	
Revenue		22,704
Salaries and wages	3,504	
Rent and rates	509	
Insurance	80	
Motor expenses	652	
Printing and stationery	218	
Light and heat	174	
General expenses	320	
Buildings	5,000	
Motor vehicles	2,420	
Fixtures and fittings	1,900	
Trade receivables	400	
Trade payables		633
Cash at bank	500	
Drawings	1,100	
Capital	<u>          </u>	<u>8,700</u>
	<u>32,037</u>	<u>32,037</u>

#### Additional information

1. Closing inventory was valued at M2,940 on 31 March 2018.
2. Provide depreciation on motor vehicles at 10% per annum.
3. Depreciation on fixtures and fittings is 20% per annum.

4. Insurance amount of M20 has been paid up to June 2018.

Prepare the statement of profit or loss for the year ended 31 December 2017.

[25 MARKS]

### QUESTION 6

The following is the cash book of Tšoene Motho for the month of March 2018:

#### CASH BOOK

Debit			Credit		
2018	Detail	Amount	2018	Detail	Amount
1 March	Balance b/d	1,000	2 June	P.Mareka	240
11 March	T.Palesa	370	13 June	A. Matsa	490
16 March	M. Thapelo	510	22 June	E.Mohau	750
24 March	G. Neteke	620	30 June	Balance c/d	1,200
31 March	Cash	180			
		<u>2,680</u>			<u>2,680</u>



The following is the bank statement of Tšoene Motho received from his bank on 4 April:

**Bank Statement of Tšoene Motho, Maseru Post Bank, Kingsway Maseru**

Date	Details	Debits	Credits	Balance
2018		<u>M</u>	<u>M</u>	<u>M</u>
1 June	Balance			1,000
5 June	P.Mareka	240		760
15 June	T. Palesa		370	1,130
18 June	A. Matsa	490		640
20 June	Dividend received		160	800
21 June	M. Thapelo		510	1,310
30 June	Bank charges	75		1,235

Answer the following questions based on the above-stated cash book and Bank statement of Tšoene Motho:

- Identify outstanding lodgements, i.e. cheques and cash paid into the bank and entered into the cash book but not credited on the bank statement by 30 June 2018  
**2 Marks**
- Cheques drawn and entered in the cash book but not yet presented for payment by 30 June 2018.  
**2 Marks**
- Unrecorded lodgements i.e. amounts received by credit transfer shown on the bank statement not yet entered in the cash book.  
**1Mark**
- Unrecorded cheques and other payments shown on the bank statement but not yet entered in the cash book.  
**1Mark**

e) From your answers given for a) to d), prepare Tšoene Motho's the Bank Reconciliation statement as at 30 June 2018 . **8 Marks**

f) Explain the main purpose of preparing a bank reconciliation statement . **2 Marks**

g) State and explain **THREE** types of other adjustments that are likely to prevent the bank statement balance and cash book balance from reconciling with each other. **6 Marks**

h) Indicate one way in which each of the three adjustments you have identified in g) above, may be resolved. **3 Marks**

**[25 MARKS]**