



kasneb

CAMS LEVEL II

FOUNDATIONS OF ACCOUNTING AND AUDITING

MONDAY: 17 May 2021.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Show ALL your workings.

QUESTION ONE

- (a) Explain four challenges one might face when using a computerised accounting system. (4 marks)
- (b) Identify five types of ledgers. (5 marks)
- (c) Highlight five professional ethics that govern the accounting profession. (5 marks)
- (d) Describe the following types of accounting errors:
- (i) Error of principle. (2 marks)
  - (ii) Error of commission. (2 marks)
  - (iii) Error of omission. (2 marks)

(Total: 20 marks)

QUESTION TWO

- (a) Highlight four source documents used in accounting transactions. (4 marks)
- (b) (i) Distinguish between "discounts allowed" and "discounts received". (4 marks)
- (ii) The following information relates to Mena Enterprises for the month of December 2020:

| Date             | Transaction  |
|------------------|--|
| <b>December:</b> |  |
| 1                | Balance brought forward Cash - Sh.500,000  |
| 1                | Balance brought forward Bank - Sh.1,480,000                                      |
| 2                | Bought goods by cheque Sh.400,000  |
| 3                | Made cash sales of Sh.360,000  |
| 5                | Banked cash of Sh.400,000  |
| 7                | Paid by cheque and received a 3% discount from each of the following suppliers:  |
|                  | <b>Sh.</b>   |
|                  | Jengo 300,000  |
|                  | Halua 600,000  |
|                  | Mraba 280,000  |
| 9                | Purchased furniture by cheque amounting to Sh.600,000                            |
| 14               | Made cash drawings of Sh.100,000   |
| 17               | Received the following amounts by cheque and allowed a 5% discount in each case: |
|                  | <b>Sh.</b>   |
|                  | Shami 800,000  |
|                  | Benta 600,000  |
|                  | Mina 640,000   |
| 19               | Paid Ruby Sh.160,000 cash less 3% discount.                                      |
| 22               | Received cash from Sam Sh.300,000 less 4% discount.                              |
| 29               | Paid salaries of Sh.200,000 in cash.   |

Required:

Three column cash book.

(12 marks)

(Total: 20 marks)

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**QUESTION THREE**

The following is the trial balance for Jembe Kazi for the year ended 31 December 2020:

|  | Sh. "000"      | Sh. "000"      |
|--|----------------|----------------|
| Inventory (1 January 2020)             | 71,040         |                |
| Carriage inwards                       | 9,300          |                |
| Carriage outwards                      | 6,000          |                |
| Sales returns                          | 6,150          |                |
| Purchases returns                      |                | 9,660          |
| Purchases                              | 356,220        |                |
| Sales                                  |                | 558,000        |
| Salaries                               | 115,860        |                |
| Rent                                   | 9,120          |                |
| Insurance                              | 2,340          |                |
| Motor vehicles expenses                | 19,920         |                |
| Office expenses                        | 6,480          |                |
| Electricity expenses                   | 4,980          |                |
| General expenses                       | 9,420          |                |
| Building (net book value)              | 150,000        |                |
| Motor vehicles (net book value)        | 54,000         |                |
| Fixtures and fittings (net book value) | 10,500         |                |
| Trade receivables                      | 116,880        |                |
| Trade payables                         |                | 51,930         |
| Cash at bank                           | 12,000         |                |
| Cash in hand                           | 2,460          |                |
| Drawings                               | 36,000         |                |
| Capital                                |                | 379,080        |
|  | <u>998,670</u> | <u>998,670</u> |

Inventory as at 31 December 2020 was valued at Sh.88,380,000.

**Required:**

- (a) Statement of profit or loss for the year ended 31 December 2020. (12 marks)
  - (b) Statement of financial position as at 31 December 2020. (8 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Distinguish between "errors" and "fraud". (4 marks)
  - (b) Highlight four differences between the role of "internal audit" and "external audit". (8 marks)
  - (c) Propose eight internal control measures that could be used by an organisation in the credit sales procedure. (8 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Discuss five challenges that an auditor might face during the process of gathering evidence. (10 marks)
  - (b) Describe five roles played by the Office of the Auditor General (OAG). (10 marks)
- (Total: 20 marks)**
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