



CAMS LEVEL II

FOUNDATIONS OF ACCOUNTING AND AUDITING

MONDAY: 23 November 2020.

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) Identify the journal in which the summary of the information obtained from each of the following source documents is recorded:

- (i) Receipts.
- (ii) Payment voucher.
- (iii) Credit note.
- (iv) Purchase invoice. (4 marks)

(b) Explain four qualities of useful accounting information. (8 marks)

(c) On 1 May 2020, Zuena Mrembo, a sole trader, had a cash balance of Sh.1,250,000. During the first week of May, the following transactions took place:

May

- 1 Paid salaries and wages amounting to Sh.250,000.
- 2 Made cash sales amounting to Sh.750,000.
- 3 Paid Jua Kali Ltd. Sh.250,000.
- 3 Paid Enzi Ltd. Sh.350,000.
- 4 Paid water bill amounting to Sh.80,000.
- 4 Received Sh.400,000 from Ndogo Supermarket.
- 4 Paid electricity bill amounting to Sh.50,000.
- 5 Paid rent amounting to Sh.200,000.
- 5 Received Sh.1,000,000 from Long Ltd.
- 6 Paid Naima Enterprises Sh.620,000.
- 7 Made cash sales amounting to Sh.1,350,000.

Required:

Cash book to record the transactions above.

(8 marks)

(Total: 20 marks)

QUESTION TWO

Doris Pendo started a mini-market on 1 April 2020 with Sh.250,000 in cash.

During the month of April 2020, the following transactions took place:

Date:

April 2020

- 2 Opened a bank account and deposited Sh.187,500.
- 3 Purchased furniture on credit worth Sh.40,000 from Bamboo Furnitures.
- 4 Purchased inventory on credit from Salama Traders and Sawa Traders at Sh.62,500 and Sh.55,000 respectively.
- 9 Returned furniture worth Sh.10,000 to Bamboo Furnitures.
- 11 Sold goods on credit to Pamela and Jacob at Sh.45,000 and Sh.50,000 respectively.
- 15 Paid wages of Sh.6,250 in cash.
- 18 Paid Salama Traders by cheque.

Date:**April 2020**

- 21 Pamela settled her account in cash.
 24 Paid Bamboo Furnitures by cheque.
 27 Purchased inventory worth Sh.25,000 from Bibi Traders by cheque.
 29 Introduced additional capital of Sh.75,000 in cash.
 30 Paid rent of Sh.15,000 by cheque.

Required:

- (a) Post the above transactions in the necessary ledger accounts. (15 marks)
 (b) Trial balance as at 30 April 2020. (5 marks)
(Total: 20 marks)

QUESTION THREE

- (a) The cash book of Alex Mua had a debit balance of Sh.90,000 as at 30 April 2020. On the same date, the credit balance as per the bank statement was Sh.150,000.

On examining the cash book and bank statement, the following differences were discovered:

1. A cheque amounting to Sh.24,000 had been paid into the account on 29 April 2020, but had not been credited by the bank until 1 May 2020.
2. Bank charges amounted to Sh.1,800.
3. A standing order of Sh.2,400 had been paid by the bank, but had not been entered in the cash book.
4. Interest income amounting to Sh.39,000 received into the bank account did not appear in the cash book.
5. Cheques paid to suppliers, but not yet presented to the bank for payment amounted to Sh.49,200.

Required:

- (i) Adjusted cash book balance. (3 marks)
 (ii) Bank reconciliation statement. (3 marks)
 (b) On 1 April 2019, Aria and Buria started a partnership business. They agreed to share profits and losses equally.

Additional information:

1. Aria contributed a capital amount of Sh.1,500,000 while Buria contributed a capital amount of Sh.1,000,000.
2. It was agreed that interest be allowed on capital at the rate of 6% per annum, while interest charged on drawings would be 8% per annum.
3. Drawings for the year amounted to:

	Sh.
Aria	120,000
Buria	270,000
4. Profit for the year ended 31 March 2020 was Sh.448,500.

Required:

- (i) Income statement and appropriation account for the year ended 31 March 2020. (4 marks)
 (ii) Partners' capital accounts. (10 marks)
(Total: 20 marks)

QUESTION FOUR

- (a) Define the following terms as used in auditing:
- (i) Errors. (2 marks)
 - (ii) Irregularities. (2 marks)
- (b) Explain four similarities between "internal audit" and "external audit". (8 marks)
- (c) Discuss four functions of the office of the Auditor General or equivalent office in your country. (8 marks)
(Total: 20 marks)

QUESTION FIVE

- (a) (i) Explain the term “fraud” as used in auditing. (2 marks)
- (ii) Outline five common types of fraud in an organisation. (5 marks)
- (b) Outline six measures that an organisation could put in place to safeguard its cash against theft and misuse. (6 marks)
- (c) Highlight seven elements of an external audit report. (7 marks)

(Total: 20 marks)

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