



kasneb

CAMS LEVEL II

FOUNDATIONS OF ACCOUNTING AND AUDITING

TUESDAY: 26 November 2019.

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) Define the term “cash book”. (2 marks)
- (b) Explain the use of the following source documents:
- (i) Debit note. (2 marks)
- (ii) Local purchase order. (2 marks)
- (c) Distinguish between “single entry system” and “double entry system” as used in accounting. (4 marks)
- (d) Describe how the following errors might be corrected:
- (i) Single entry error. (2 marks)
- (ii) Complete reversal of entry. (2 marks)
- (e) Highlight six users of accounting information. (6 marks)

(Total: 20 marks)

QUESTION TWO

- (a) Ann Wakesho runs a small business. On 1 September 2019, Anne had petty cash of Sh.16,400. She withdrew Sh.33,600 from her bank account to cater for the week’s expenses.

The following were her expenses for the week:

September 2019:

	Sh.
1 Bus fare	300
2 Postage stamps	4,250
2 Tea for customers	1,100
3 Cartridge	2,150
4 Purchase of pens and printing paper	500
4 Telephone airtime	3,800
4 Refreshments	2,600
5 Repair of office furniture	5,000
5 Taxi charges	4,350
6 Post cards	4,500
7 Tea for customers	1,000
7 Telephone airtime	3,700

Required:

A petty cash book with analytical columns for transport, postage and telephone, refreshments, office stationery and sundry expenses. (11 marks)

(b) The following balances were extracted from the records of Tony Mwema as at 30 September 2019:

	Sh.
Cash in hand	60,000
Cash at bank	550,000
Trade receivables	400,000
Trade payables	500,000
Inventory (1 October 2018)	1,050,000
Sales returns	25,000
Sales	2,800,000
Purchases	1,025,000
Capital	745,000
Salaries	200,000
Water and electricity	30,000
Administrative expenses	10,000
Drawings	45,000
Rent and rates	85,000
Inventory (30 September 2019)	675,000
Furniture and fittings	375,000
Motor vehicle	1,750,000
Bank loan	1,500,000
Rent received	60,000

Required:

Trial balance as at 30 September 2019.

(9 marks)

(Total: 20 marks)

QUESTION THREE

The following is the trial balance for Maji Mazuri Traders as at 30 June 2019:

	Sh.	Sh.
Capital account		1,218,000
Drawings	120,000	
Inventory (1 July 2018)	900,000	
Purchases	5,200,000	
Sales		6,200,000
Furniture	200,000	
Trade receivables	800,000	
Travel expenses	10,000	
Trade expenses	92,000	
Salaries	110,000	
Rent	48,000	
Advertising	100,000	
Insurance	8,000	
Commissions received		26,000
Discount allowed	4,000	
Bad debts written off	32,000	
Trade payables		400,000
Cash in hand	104,000	
Cash at bank	116,000	
	<u>7,844,000</u>	<u>7,844,000</u>

Inventory as at 30 June 2019 was valued at Sh.1,060,000.

Required:

(a) Income statement for the year ended 30 June 2019.

(12 marks)

(b) Statement of financial position as at 30 June 2019.

(8 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) Highlight five benefits that could be derived from using computer assisted audit techniques (CAATs). (5 marks)
 - (b) Outline five techniques that an auditor could use to gather audit evidence. (5 marks)
 - (c) Explain five key stages of an audit. (10 marks)
- (Total: 20 marks)**

QUESTION FIVE

- (a) Explain five reasons why it is necessary for a limited liability company to be audited. (10 marks)
 - (b) Discuss five purposes of an internal control system. (10 marks)
- (Total: 20 marks)**
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