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Question 1

Question Type: MultipleChoice

Fraud can be conducted by employees or management. Management fraud can be hard to detect and may not seem like fraud at all as often company performance improves.

Which ONE of the following would be an example of management fraud?

Options:

- A- Theft by management
- B- Improved performance and position for the company
- C- Charging personal expenses to a company credit card
- D- Trading with friends and family

Answer:

B

Question 2

Question Type: MultipleChoice

In internal auditing, detection of fraud is an important objective. The auditors will best be able to detect frauds if they are knowledgeable in the most common methods of fraud.

Which THREE of the following are common methods of fraud?

Options:

- A- Ghost employees
- B- Taking stationary home
- C- Teeming and lading
- D- Using a company car for personal use
- E- Collusion with external parties
- F- Using company phones for private calls

Answer:

A, C, F

Question 3

Question Type: MultipleChoice

The suspense account of a company was opened with a credit balance of \$360 when the trial balance failed to agree.

This could have arisen because

Options:

- A-** an electricity bill of \$840 was entered in the electricity account as \$480.
- B-** an electricity bill of \$480 was entered in the electricity account as \$840.
- C-** an electricity bill of \$360 was duplicated.
- D-** an electricity bill of \$180 was duplicated.

Answer:

B

Question 4

Question Type: MultipleChoice

Refer to the exhibit.

(a)	Debit	Suspense account £27	Credit	Mr. Tan account £27
(b)	Debit	Mr. Tan account £27	Credit	Suspense account £450
(c)	Debit	Suspense account £450	Credit	Arumugam account £450
(d)	Debit	Arumugam account £450	Credit	Suspense account £450
(e)	Debit	Suspense account £12000	Credit	Salaries account £12000
(f)	Debit	Salaries account £12000	Credit	Suspense account £12000

The trial balance of Monchu Partnership, as at 30 June 2006, has a suspense account. Subsequent investigations revealed that:

- (1) A payment of 352 to Mr. Tan was posted as 325.
- (2) A remittance of 450 received from Arumugam was credited to Armit's accounts.
- (3) Salaries of 12000 have not been posted from the cash book.

Monchu suggested the following adjustments:

The appropriate journal entries are:

Options:

A- (a), (c) and (e) only

B- (b), (d) and (f) only

C- (b) and (f) only

D- (b), (e) and (f) only

Answer:

C

Question 5

Question Type: CorrectText

The draft accounts of KenDoo Ltd for the year ended 31 August 2006 showed a net profit of \$10000.

During the audit, the following errors and omissions were discovered.

- (a) Items valued at \$3100 had been completely omitted from the closing stock figure.
- (b) Accrual of electricity bill for \$200 and insurance prepayment of \$500 had been omitted.
- (c) Equipment costing \$12000, acquired on 1 September 2005, had been debited to the purchases account. (KenDoo Ltd depreciates equipment at 15% on the straight line basis).

Due to materiality, the directors of KenDoo Ltd agreed to adjust the accounts accordingly.

Incorporating the above adjustments, the revised net profit is

Answer:

Question 6

Question Type: MultipleChoice

After calculating your company's profit for the year, you discover that:

- (a) A non-current asset costing 2,000 has been included in the purchases account; the asset has not been included in the closing inventory figure; nor has it been depreciated by the normal 25% per annum
- (b) Closing inventory of raw materials, costing 500, have been treated as closing inventory of stationery.

These two errors have had the effect of.

Options:

A- Understating gross profit by 2,500 and understating net profit by 1,500

- B- Understating both gross profit and net profit by 2,500
- C- Understating gross profit by 2,000 and understating net profit by 2,500
- D- Understating both gross profit and net profit by 1,500

Answer:

A

Question 7

Question Type: MultipleChoice

Refer to the exhibit.

	<i>Debit</i>		<i>Credit</i>	
A	Suspense account	\$230	Supplier's account	\$230
B	Gas account	\$230	Suspense account	\$230
C	Suspense account	\$230	Gas account	\$230
D	Suspense account	\$460	Gas account	\$460

A suspense account shows a credit balance of \$230 which has arisen because of the recording of a gas bill twice in the gas account.

In order to correct the error, which one of the following journal entries is required?

The correct journal entry is

Options:

A- A

B- B

C- C

D- D

Answer:

C

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