



CERTIFIED ACCOUNTING TECHNICIAN

STAGE 1 EXAMINATION

S.1.1 RECORDING FINANCIAL TRANSACTIONS

DATE: TUESDAY, 26 JULY 2022

MODEL ANSWERS AND MARKING SCHEME

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Marks

Marks for each correct answer

2

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100

Model Answers

QUESTION ONE

The correct answer is B. because

A. Payable to the government: Occurs when the VAT account credit side which is VAT output is greater than debit side which is VAT input. On this case VAT input is greater than VAT output

C. Non obligation is not correct because every taxpayer who is registered under VAT regime is obliged to pay VAT taxes according to laws and regulation governing the regime

D. None of the above is not correct because every taxpayer who is registered under VAT regime is obliged to pay VAT taxes according to laws and regulation governing the regime

QUESTION TWO

The correct answer is C

A, B, D is not correct because the below computation supporting C as the correct answer

Dr	VAT control a/c	Cr
	FRW	FRW
water pumps payment	57,600	Cash sales 10,274
Payment to agronomist	23,400	Sale of machine 21,600
		Cash sales 26,129
		Credit customer 17,280
		Refund (Balancing figure) 5,717
	<u>81,000</u>	<u>81,000</u>

QUESTION THREE

The correct answer is C because if an input tax is recoverable (input VAT), the cost of purchases should exclude the tax

A. Is not correct because if an input tax is recoverable (input VAT), the cost of purchases should exclude the tax portion suffered from the government

B. Is not correct because the cash purchases do not result in an increase of an asset (cash), instead it results in its reduction (cash outflow) and no payables account is involved as cash is involved.

D. Is not correct because VAT suffered on purchases is recorded on the debit side of the VAT control account as it is claimable from the government

QUESTION FOUR

The correct answer is **A** because the duplicated payment could be the reason behind a debit balance in the account of TTC Ltd.

B. Is not correct because if no payment made to TTC Ltd the payable account would have a credit balance.

C. Is not correct because no evidence shows return to vendor some materials purchased from them.

D. Is not correct because the overdue status of an amount does not change the balance status of the account except when writing off comes into effect.

QUESTION FIVE

The correct answer is **C**

A, B and **D** is not correct. See the details below of the computation supporting **C**

Purchases details	Units	Unit price	Total purchase
Minimex Maize Flour sacs	120	20,000	2,400,000
Sugar sacs	54	12,000	648,000
Milk powder	72	50,000	3,600,000
Bulbs	45	60,000	2,700,000
Saucepans	35	50,000	1,750,000
Canned food (meat)	240	18,000	4,320,000
Total			15,418,000

Sales details	Units	Selling price	Total sales
Minimex Maize Flour sacs	80	32,000	2,560,000
Sugar sacs	24	15,000	360,000
Milk powder	18	52,000	936,000
Bulbs	16	64,000	1,024,000
Saucepans	-	62,000	-
Canned food (meat)	-	18,700	-
Total			4,880,000

Computation of Profit	FRW	FRW
Sales		4,880,000
Less: Cost of sales		
Opening balance	3,500,000	
Add: Purchases	15,418,000	
Less: Closing stock	(11,670,000)	
	7,248,000	7,248,000

Gross profit	(2,368,000)
Other expenses	
Administrative expenses	(1,750,000)
Profit or (Loss)	(4,118,000)

QUESTION SIX

The correct answer is D

A, B, and C are not correct and see the computation below to arrive at the answer D

Share Capital computation	Amount
	FRW
Opening balance	15,000,000
Net loss for the month	(4,118,000)
Closing share capital	10,882,000

QUESTION SEVEN

The correct answer is C, because when customers return goods for some reasons, the returns are recorded in the sales return daybook.

However, sales returns could alternatively be shown as bracketed figures in the sales day book, so that a sales returns day book would not be needed.

- A. Petty cashbook is not correct because this record a small amount of cash on the premises to occasionally small payments in cash.
- B. Purchase returns daybook is not correct because it is a book of original entry records all returns of purchases to suppliers and this is normally followed by a credit note received for such purchase returns.
- D. None of above is not correct as correct answer is C

QUESTION EIGHT

The correct answer is A

- B. Is not correct because the business receives credit notes for goods returned to suppliers and sends debit notes to customers who return goods to the business.
- C. Is not correct because all invoices sent to credit customers are recorded in the sales daybook
- D. Is not correct because business customers do not send invoices to business, instead the business receives them from suppliers or else the business sends invoices to its customers

QUESTION NINE

The correct answer is **B** because Imprest refers to a type of cash account maintained by a company used to pay for small incidental or routine expenses. A fixed account balance is established in the imprest account and refunded as needed when money is withdrawn for items bought or paid for.

A. Cash float - wrong answer. This is a small amount of cash on the premises to make occasional small payments. It can also be the resting place for occasional small receipts.

C. Contra-entry - wrong answer. This refers to a double entry (debit and credit entry) affecting the same parent account type. For example, when cash is withdrawn from the bank to finance the operating expenses of the business. A debit will be in cash and a credit at the bank.

D. Control account - wrong answer. A control account is account which businesses use to record the balances arising from a number of sub-accounts.

QUESTION 10

The correct answer is **B** because replenishment amount will equal the amounts spent from the cash float to bring it back to its ceiling. Since the cash float is FRW 100,000 and spent is FRW 95,150, he will be reimbursed only the amounts taken out of the cash float

A, C and D are not correct. See the workings below to support the correct answer

	FRW
Cash float	100,000
Petty cash expenses	
Cleaning fees	3,500
Security fees	4,900
Sugar	12,750
transport costs to market	6,000
Table mats	50,000
Electricity bill	18,000
Total petty cash expenses	(95,150)

Balance of cash float at the end month 4,850

The replenishment amount should equal the expenses paid out of the petty cash in order to maintain the cash float with the imprest system.

QUESTION 11

The correct answer is C because of the following double entry rule:

A debit is one of the following	A credit is one of the following
An increase in an asset	An increase in a liability
An increase in an expense	An increase in income
A decrease in a liability	A decrease in an asset

A, B, and D is not correct as it is not following double entry rule

QUESTION 12

The correct answer is D because capital expenditure results in acquisition of non-current assets or an improvement in their capacity that brings benefits to the business over more than one accounting period.

A, B and C is not correct answer because capital expenditure relate to acquisition of non-current assets or an improvement in their capacity.

QUESTION 13

The correct answer is C

A. Is not correct as it is the fundamental rule of accounting is that the assets and liabilities of a business must always be equal (the accounting equation)

B. Is not correct as shows a double entry concept.

D. Is not correct as it not even depicts an accounting rule of accounting equation

QUESTION 14

The correct answer is B

A, C and D are not correct and see below computation for correct answer B

Zed the Great Limited		Type of discount
(i) 7% discount	=FRW (70,000-30,000) *7%= FRW28,000	Trade discount
(ii) 5% discount	=FRW 200,000*5%= FRW10,000	Trade discount
(iii) 0% discount	=FRW 100,000*5%=0	No discount
Boutique Murokore		
(i) 10% discount	= FRW 500,000*10%=FRW 50,000	Cash discount
(ii) 5% discount	=FRW 300,000*5%= FRW 15,000	Cash discount
(iii) 2% Discount	=FRW 200,000*2%= FRW 4,000	Cash discount
Pozzo delivery		
5% discount	=FRW 400,000*5% = FRW 20,000	Trade discount
Total		FRW 127,000

QUESTION 15

The correct answer is C

A, B, and D are not correct answer and see the computation below for correct answer C

(i) 7% discount	=FRW (70,000-30,000) *7%= FRW28,000	Trade discount
5% discount	=FRW 400,000*5% = FRW 20,000	Trade discount
(ii) 5% discount	=FRW 200,000*5%= FRW10,000	Trade discount

Total
58,000

QUESTION 16

The correct answer is A

B, C, and D are not correct and see the computation below to support the answer

(i) 10% discount	= FRW 500,000*10%=FRW 50,000	Cash discount
(ii) 5% discount	=FRW 300,000*5%= FRW 15,000	Cash discount
(iii) 2% Discount	=FRW 200,000*2%= FRW 4,000	Cash discount

Total **69,000**

QUESTION 17

The correct answer is A because all journal entries should be authorized and contain the date of transaction, narrative of the accounts affected, the debit and credit amounts.

B, C and D are not correct because they have some part of what a journal should contain, but they are not only limited to those additional contents are all listed under option A highlighted above. See below as format for what a Journal entry should have:

Date	Narrative	Entries
xx/xx/xxxx	Account to be debited	Dr xxxxxxxx
	Account to be credited	Cr xxxxxx
	Narrative to explain the transaction	

QUESTION 18

The correct answer is A because a journal keeps record of any movement between accounts and it must be approved by authorized personnel for audit and control purposes.

B, C and D are not correct as they are just relating to the content of journal

QUESTION 19

The Correct answer is C

- (i) Internal check account: This is concerned with the maintenance of accounting records. These ensure that transactions to be recorded and processed have been authorized, correctly recorded and accurately processed.
- (ii) Accounts receivables ledger: These contain personal accounts of customers of the business
- (iii) Accounts payable ledger: These contain personal accounts of suppliers of the business

QUESTION 20

The correct answer is C. The sales daybook has been undercast by FRW 1,250,000

The total of sales invoices in the daybook is debited to the control account. If the total is understated by FRW 1,250,000, the debits in the control account will also be understated by FRW 1,250,000.

Options D and A would have the deposit effect: Credit entries in the control account would be understated.

Option B would lead to a discrepancy of $2 * \text{FRW } 1,250,000 = \text{FRW } 2,500,000$

QUESTION 21

The correct answer is B which is assist in the location of errors

A, C and D Is not correct as it is not matching with the description provided in the question

QUESTION 22

The correct answer is D. Invoice No 34392 and Payment received on 28 May 2021. See below working

Balance per supplier statement	84,786
Payment received on	
Less: 28 May	-11,777
Invoice No 34392	-39,278
Balance per payables ledger	33,731

QUESTION 23

The correct answer is D which is Periodic procedures

A, B and C are wrong answers

QUESTION 24

The correct answer is B which is supplier account coding

A, C and D are wrong answers

QUESTION 25

The correct answer is D

Dr	Trade payables control a/c		Cr
	FRW		FRW
Bank (payment to Josue)	360	Purchases from Josue Co	400
Discount received	40	Purchases from Moss	2,000
Bank (payment to Moss)	1,800		
Discount received	200		
	2,400		2,400

QUESTION 26

The correct answer is D

Remittance advice includes the following:

- A. The name and address of the customer and supplier
- B. The customer's account number or code (as specified by the supplier) and/or the supplier code (as specified by the customer)
- C. The invoice number(s) and amount(s)
- D. The invoice date(s) and date of payment
- E. The total amount of the payment

QUESTION 27

The correct answer is C which is to identify a debit on your bank statement and make a credit entry in the cashbook

The cashbook is credited to cancel a previous receipt recorded as a debit. The bank statement is the bank's record of your account and is there the other way round, so a debit will appear.

QUESTION 28

The correct answer is D which is included in the unrepresented cheque is a cheque of FRW 8,000 issued to a supplier, but this was paid by bank on 1 October 2021

QUESTION 29

The correct answer is C. FRW 2,062,000

A, B and D are wrong answers. See the computation below to clarify how the answer was arrived at.

Updated cashbook			
Details	Debit	Credit	Balance
Balance b/f			3,900,000
Uncredited cheque		1,500,000	2,400,000
unpresented	1,800,000		4,200,000
Insurance standing order		1,660,000	2,540,000
Direct debit of customer		460,000	2,080,000
Bank charges		17,458	2,062,542

QUESTION 30

The correct answer is A which is an instruction to a bank by an account holder to make regular fixed payments to a particular person or organization.

B. An arrangement made with a bank that allows a third party to transfer money from a person's account on agreed dates, typically to pay bills. – not correct as it not carries correct meaning of standing order

C. This is a cheque which was written to someone or a company long time ago and the bank may refuse to pay when he presents it to the bank. **Wrong answer - This is a stale cheque**

QUESTION 31

The correct answer is C. Analyzed cash books show how much money has been received and paid, and what each amount was for, by placing it in the correct column

A. Is not correct as this can be depicted by account's receivables control account

B. Is not correct as this is a partial purpose of the cashbook, on top of this it also adds an analysis of how much has been received from customers and what each amount was for

D. Is not correct as this is shown by the company's statement of profit or loss and/or other period comprehensive income.

QUESTION 32

The correct answer is D. FRW 19,300,000

A, B and C are not correct answers. See the workings below to support the correct answer provided above

Updated cashbook	
Dividends received	2,300,000
Bank charges	500,000
direct credit	3,400,000
	6,200,000
Error	1,000,000
Standing order	1,200,000
Adjusted cashbook balance	4,000,000
	6,200,000

Bank rec	
Bank overdraft	17,000,000
unpresented cheque	2,200,000
	19,200,000
Uncredited cheques	3,900,000
Balance	15,300,000
	19,200,000

Bank reconciliation statement	
Bank overdraft as per the bank statement	17,000,000
Add	
Cheques issued but not cashed	2,200,000
Dividends on shares	2,300,000
Interest charged	500,000
Cheque deposited not entered in cashbook	3,400,000
	8,400,000
	25,400,000
Less	
Credit side of the bank in error	1,000,000
Membership dues paid by bank	1,200,000
Uncredited cheques	3,900,000
	6,100,000
Balance per cash book	19,300,000

QUESTION 33

The correct answer is A. Dr sales returns FRW 30,000, Dr VAT FRW 6,000, Cr receivables ledger control account FRW36,000

B Is not corrected as it relates to Returns inwards or sales return

C Is not correct as the VAT account has been posted on the wrong side and the net figure should be posted to the general sales returns account

D Is not correct as it relates to Returns inwards refer to sales returns not purchase returns.

QUESTION 34

The correct answer is D

Dr purchases FRW 2,000

Dr VAT FRW 360 (FRW 2,000*18%)

Cr Payables FRW 2,360

A, B and C are wrong answers.

The recording of any vatable purchases should be recorded in the purchase account and the corresponding VAT incurred on them be recorded on the debit side of the VAT control account as an input VAT. This will be offset with the VAT output to determine whether the entity is in a receivable (refund) or payable position.

QUESTION 35

The correct answer is B.
FRW 250,150,000

A, C and D are wrong answers. See the computation below for clarification

	Dr FRW'000'	Cr FRW'000'
Wages	33,910	
Discounts received (1,860+690)		2,550
Cash at bank (3,280-340)	2,940	
Vehicles	12,420	
Sales		186,070
Purchases (105,040+360)	105,400	
Machinery	35,040	
Capital		60,000
Payables		1,530
Delivery expenses	1,210	
Administrative expenses (7,250 + 340)	7,590	
Receivables	37,040	
Drawings	14,600	

QUESTION 36

The correct answer is B as it a list of ledger balances extracted from accounts which helps to ensure that the bookkeeping has been accurate

A, C, and D is not correct as it defines correctly meaning of trial balance

QUESTION 37

The correct answer is D. Settlement discounts received in total in the period.

Settlement discounts received are set out against purchases and so are entered in the payable's ledger account

A is not correct as it will appear in the receivable's ledger control account

B is not correct as it will be in the receivable's ledger control account

C is not correct as Trade discounts received have already been deducted from sales invoices.

QUESTION 38

The correct answer is C as Statement of account

A, B, and D are used internally and would not be sent out to customers

QUESTION 39

The correct answer is A which is Purchases and other expenses

B, C and D appear on the debit side of the purchase ledger control account

QUESTION 40

The correct answer is D. The debit side to be FRW 71,356,640 more than the credit side

A, B and C are wrong answers because of the following reason:

A purchase return should be a credit posting so the effect will be doubled. The fact that it has been posted to the wrong account does not create an imbalance.

QUESTION 41

The correct answer is **A**.

Payable is FRW 200,000

B, C and D are wrong answers. See the explanation below and the computation done

The VAT payable is the output tax chargeable less the input tax borne (FRW 240,000 - FRW40,000=FRW 200,000)

QUESTION 42

The correct answer is **C. Assets – FRW 10,500, Liabilities – FRW 10,000, Expenses + FRW 500**

A, B and D are wrong answers because Expenses increase by FRW 500, reducing profits and capital

QUESTION 43

The correct answer is **A**. Sales of FRW 500,000 entered correctly, but entered as FRW 1,500,000 in the receivable's ledger control account

The double entry does not balance, there will be a trial balance difference of FRW 1,000,000

B. Is not correct because if a transaction is completely omitted from both sides of the trial balance account, it would not make the Trial balances fail to agree.

C. Is not correct as this would be regarded as an error of complete reversal, and since the error on both sides of the double entry with the same amount, it would not make the trial balance fail to balance.

D. Is not correct as this being an error of recording in the wrong class/type of account, it would not cause an imbalance in the trial balance.

QUESTION 44

The correct answer is **A** where monthly salaries of FRW 5,250,000 were correctly entered in the cash book but the other half of the double entry was not made.

B, **C** and **D** are not correct answers as they are all errors which do not cause the trial balance not to agree.

QUESTION 45

The correct answer is **B**. A total which is used to make sure the value of transactions processed agrees to a total previously calculated

A, C and D are wrong answers because the agreement of the control total of processed transactions with the previously calculated total ensures that all the data is processed.

QUESTION 46

The correct answer is D

A, B and C are wrong answers.

The balance on the suspense account is FRW 9,800. Land and buildings is a missing debit entry and a sales return is a missing credit entry to the receivables control account.

QUESTION 47

The correct answer is D

A, B and C are wrong answers as they do not respect the rule of the double entry system

QUESTION 48

The correct answer is A. Debit VAT account FRW 441,122, debit Irrecoverable debts FRW 2,450,678 and credit total receivables FRW 2,891,800.

B, C and D options would not account for an irrecoverable debt relief.

Entry A, accounts correctly for the irrecoverable debt relief.

QUESTION 49

The correct answer is D as the customer has ceased trading and no dividend is expected from a liquidation.

A, B and C are wrong answers because they are not sufficient reasons that would guarantee a debt to be classified as irrecoverable

QUESTION 50

The correct answer is C stands for at least six months old from the time of supply OR (b)written off in the accounts of the business

A, B and D are not valid answer for VAT claimable.

END OF MARKING GUIDE AND MODEL ANSWERS