



CERTIFIED ACCOUNTING TECHNICIANs
STAGE 1 EXAMINATIONS
S.1.1 RECORDING FINANCIAL TRANSACTIONS
DATE: TUESDAY, 24 AUGUST 2021
MODEL ANSWER AND MARKING GUIDE

Marking Guide

SECTION A

Question number	Correct answer
Q1	B
Q2	D
Q3	B
Q4	B
Q5	D
Q6	D
Q7	C
Q8	D
Q9	D
Q10	B
Q11	D
Q12	C
Q13	C
Q14	D
Q15	A
Q16	C
Q17	C
Q18	C
Q19	A
Q20	B
Q21	C
Q22	C
Q23	D
Q24	A
Q25	A

Question number	Correct answer
Q26	D
Q27	B
Q28	D
Q29	B
Q30	A
Q31	B
Q32	D
Q33	B
Q34	C
Q35	D
Q36	B
Q37	B
Q38	D
Q39	C
Q40	D
Q41	B
Q42	C
Q43	C
Q44	D
Q45	B
Q46	C
Q47	D
Q48	D
Q49	B
Q50	C

Question 1 to 50

2 marks for each correct answer

Marks

2

Total marks

100

Detailed Answers

Question Correct answer number

Q1 B Frw 354,000

Receivable amount inclusive of VAT $400,000 \times 1.18 = 472,000$

Credit note amount inclusive of VAT $\text{Frw } 100,000 \times 1.18 = 118,000$

B: Amount that will appear on cheque $= \text{Frw } 472,000 - \text{Frw } 118,000 = \text{Frw } 354,000$

Option A: $\text{Frw } 400,000 + 100,000 = 500,000$ not correct

Option C: $\text{Frw } 472,000 + \text{Frw } 118,000 = 590,000$ not correct

Option D: $\text{Frw } 400,000 \times 1.18 = \text{Frw } 472,000$ not correct

Q2 D Frw 9,130,000

Working

Sales 5,230,000

Purchases

(Milk+Juice+Water) 5,460,000

Closing stock -1,360,000

Gross profit 1,130,000

Closing capital

Initial capital 8000000

Profit 1,130,000

Closing capital 9,130,000

Option A: 8,000,000 is an initial capital – Not correct

Option B: 9,030,000 – Not Correct

Option C: 13,230,000 – Is initial capital + Total sales -Not Correct

Q3 B Ledgers accounts-Correct

Option A: is not correct – All the items under this option are books of prime entry (Journals)

Option C: is not correct – Journal records the journal entries but not the postings

Option D: is not correct – Trial Balance is a list of account balance

Q4 B Frw 650,000

Sales day book include all the sales made on credit.

The balance in sales day book of MBS ltd is computed as follows:

	Frw
Credit sales	500,000
Credit purchase by DVS Co. from MBS ltd	150,000

	650,000
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Sales return and cash sales will not appear in sales day book

- Q5 D Correct entry is Purchase Frw 200,000, Dr: VAT account 36,000, Credit: Trade account payable Frw 236,000
Option A: is not Correct – Purchases should be recorded separately (net of tax)
Option B: is not correct – The amount (Frw 236,000) was already tax inclusive
Option C: is not correct - Purchases should be recorded separately (net of tax) and the input VAT should be debit in the VAT account as indicated under option D.
- Q6 D Option D:is correct - A cash discount is an optional reduction in the amount of money payable by a customer. It is also called a 'settlement discount' or a 'prompt payment discount'
- Option A:is not correct - Recoverable VAT does not form part of cost of purchase
Option B: is not correct - Cash purchases are not posted in purchase day book, instead these are recorded in cash book
Option C: is not correct - Receivable ledger control account record only credit sales yet invoice send may include cash sales
- Q7 C Frw 25,200,
The settlement discount is the same as cash discount

Workings:

Settlement discount

	Frw	Frw
Goods purchased from KMC Ltd		800,000
Trade discount $800,000 \times 10\%$		80,000
		720,000
Cash discount for immediate payment $720,000 \times 40\% \times 5\%$	14,400	
Cash discount for payment made within 20 days $(720,000 - 288,000) \times 2.5\%$	10,800	
Total cash discount or settlement discount		(25,200)
Net amount paid by Bamugire to KMC		694,800

Options A, B and D are not correct considering the above illustration. Note that there is no cash discount received from supplier Ndagira ltd.

- Q8 D Accounting equation
Option A: is not correct – Double entry helps to maintain the check on accounting equation rule but it is not the rule.
Option B: is not correct – Trial balance is a list of account balances and not an accounting rule

Option C: is not correct – Balance sheet is a financial statement that contains assets, equity and liabilities but it not a rule.

Q9 D (i), (ii), (v) and (vi)

Option A: is not correct – it excludes (v) and (vi) which are also correct in relation to debit entry

Option B: is not correct - Debit entry does not increase the value of capital (iv)

Option C: is not correct – This option excludes (i) which is also correct in relation to debit entry

Q10 B Debit and Credit: Double entry principle requires that each transaction should a debit and a credit

Option A: is not correct: T- Account contains postings from different transactions

Option C: is not correct – Double entry principle does not require reversal

Option D: is not correct – Double entry does not provide for a balance

Q11 D Increase the value of expense and understate the business profit

Option A: is not correct - Since capital expenditure was treated as revenue expenditure, the asset account will not be affected

Option B: is not correct - Value of assets will not be affected if Capital expenditure is treated as revenue expenditure

Option C: is not correct - Capital expenditure will not increase

Q12 C Frw 7,500,000

The two-laptop purchased and given to staff will not be included under purchase, instead these will be assets to be reported in balance sheet. Therefore, the cost of sales will be computed as follows

	Frw
Laptop purchased for resale	50 x 250,000 = 12,500,000
Less closing stock (50-30)	20 x 250,000= (5,000,000)
Cost of sales	7,500,000

Option A, B and D are not correct considering the above calculations

Q13 C Double entry

Options A, B and D are not basic principles in accounting

Q14 D Dr: Cash Frw 4,000,000
Cr: Capital Frw 4,000,000

Dr: Purchase Frw 800,000

Dr: VAT account Frw 144,000

Cr: Trade payable Frw 944,000

Option A: is not correct – Purchases should be recorded net of VAT

Option B: is not correct – Purchases are not part of capital

Option C: is not correct – Purchases should be recorded net of tax while trade payable should be recorded tax inclusive.

Q15 A Frw 8,400,000

Working

		Frw
01/01/2020	Opening balance	4,000,000
04/01/2020	Mupenzi	1,500,000
08/01/2020	MURENZI	2,500,000
15/01/2020	Nyayo	400,000
		8,400,000

Option B, C and D are not correct considering the above calculations.

Q16 C Dr: Purchases Frw 1,200,000, Cr: Trade payable Frw 1,200,000
Option A: is not correct – Discount received is only recognized when received
Option B: is not correct – Purchases are never recognized net of cash discount
Option D: is not correct – Discount allowed relates to sales not purchases

Q17 C Frw 360,000

Working:

	Frw
Opening balance	200,000
Goods purchased	600,000
Paid amount $396,000 \times 100/90$	(440,000)
Remaining balance	360,000

Option A, B and D are not correct considering the above calculations.

Q18 C A cash received from a debtor of Frw 9,800 is credited to the customer's account as Frw 8,900, this is a transposition error

Option A: is not correct - When accountant posts a debit or credit to the correct side of the ledger, but to a wrong account, he/she made error of principle. **It is an error of commission**

Option B: is not correct - Error of commission is where the transaction is posted to the wrong class of account. **This is an error of principle**

Option D: is not correct - When transaction is posted correctly following double entry but with different amounts, this could not affect the list of account balance. **This error will affect the trial balance**

Q19 A Dr: Creditor's account Frw 1,000,000, Cr: Discount received a/c Frw 1,000,000
Option B: is not correct – The amount on debit is not equal to the amount on credit and this creates an additional error

Option C: is not correct – The discount allowed is not affected by this transaction

Option D: is not correct - The discount allowed is not affected by this transaction

- Q20 B A Sales Frw 1,000,000 entered correctly, but entered as Frw 1,500,000 in the receivable's ledger control account
Option A, C and D have been recoded wrongly but following double entry with equal amount on debt and credit. Their corrections do not necessitate the use of suspense account.
- Q21 C (iii),(iv)
- (i) Words and figures are the same; This will not result into dishonoring a cheque
(ii) Cheque less than guaranteed amount: This will not be resulting into returning a cheque
(iii) Cheque and guarantee card stolen: this will result into dishonoring a cheque
(iv) Cheque unsigned: This will result into returning a cheque
- Option A, B and D are not correct because they either include (i), (ii) or they exclude (iii), (iv).
- Q22 C Cash can get lost in the post
- Option A: is not correct - The company wish to process payment without delay: This could be implemented by using direct cash transfers or other means
Option B: is not correct -The company wishes to get supporting document for cash paid: whatever means of payment used, you can get supporting document
Option D: is not correct - customers do not trust other means of payment: Most customer trust payment through bank than cash payment
- Q23 D Standing order: This method is the most appropriate for regular payment of fixed amount like this one of a known premium.
Option A and B: Are not correct - they are methods of payment that would require more time and efforts that could be saved using a standing order
Option C: Not Correct – Direct debit is initiated by a person who receives the money and it might not work properly in this case of a fixed amount like standing order would.
- Q24 A The monthly communication fees
- Option B: is not correct - Purchase of office sundries: payment for this will be done by using cheque or bank transfer
Option C: is not correct - Monthly employee salaries are paid using cheque or a payment order
Option D: is not correct - Regular bank charges do not necessitate direct debit
- Q25 A Frw 86,000

	Cash	Bank		Cash	Bank
Bal b/d	50,000	400,000			
03/02/2020 sales	20,000		02/02/2020 corn materials	22,000	
05/02/2020 sales	28,000		03/02/2020 salt		10,000
Sales	25,000		04/02/2020 other materials	15,000	
			Bal c/d	86,000	390,000
	123,000	400,000		123,000	400,000

Option B: is not correct – It is a bank balance and not a cash balance

Option D: is not correct – It considers mobile banking as if it affects cash

Option C is also a wrong answer considering the above computation.

Q26 D D: (ii) and (iv): Only casual labors and pens and hand notes can be paid using petty cash

Option A: is not correct - (i), (ii), (iv): Regular salaries can be paid using cheque or bank transfer but not petty cash.

Option B: is not correct - (i), (ii), (iv) and (v): salaries of cleaners and rain coat cannot be paid using petty cash

Option C: (i),(ii),(iv) and (v)- salaries of cleaners and rain coat cannot be paid using petty cash.

Q27 B Dr: Expense Frw 9,000, Dr: VAT Frw1,620, Cr: Cash Frw 10,620

Option A: is not correct – VAT account should be debited

Option C: is not correct – It reverses the entries

Option D: is not correct – It wrongly estimates the VAT amount

Q28 D Frw 16,000

Amount to be drawn from bank to restore imprest level is computed as follow;

	Frw
Balance as at 1/12/2020	4,200
Amount drawn from bank	15,800
Total	20,000
Amount used during the period	(16,000)
`Balance in petty cash	4,000
Amount to be withdrawn from bank to replenish petty cash	16,000

Option A, B and C are not correct considering the above calculations.

Q29 B Prior to his appointment, Dream hotel ordered bank to deduct Frw 300,000 on monthly basis in respect of electricity prepayment to avoid the cut of power. The accountant wasn't aware of this order until he received bank statement

Option D: is not correct -Dream hotel paid one of its suppliers by cheque, this was recorded by accountant and was banked by payee and processed by bank in August. There is no error as the amount paid was recorded and banked by payee.

- Option D: is not correct - An intercompany bank transfer in favor of Mr Bakame for 5,010 was made directly to the bank and was recorded in the cash book. This does not result into unreconciled item.

- | | |
|--|-----------|
| | Frw |
| Balance as per cash book | 60,000 |
| Interest debited in cashbook (to correct this error) | (50,000) |
| Adjusted cash book | 10,000 |
| Uncredited cheque (balancing figure) | (410,000) |
| Balance as per bank statement | (400,000) |

Option C: is not correct - The petty cash book and sales day book - none of these will be used to record purchases

Option D: is not correct - The purchase day book and sales day book - Sales day book is used only for credit sales

Q34 C C: Dr: Receivable ledger control account Frw 100,000, Cr: Sales account Frw 100,000

Option A: is not correct - This entry could not be used to record a sale transaction

Option B: is not correct - Would be used if it was an entry reversing a cash sale erroneously recorded

Option D: is not correct - Would be used if it is a cash sale

Q35 D An expense in the statement of profit or loss

Option A: is not correct - financial position does not report expenses

Option B: is not correct - Bad debt is not reduced from sales figure

Option C: is not correct - Provision for bad debt is not a liability

Q36 B Dr Irrecoverable debts (Expense account)

Cr Allowance for Trade receivables

Option A: is not Correct – Trade receivable cannot be debited when increasing the provision and irrecoverable debts cannot equally decrease

Option C: is not correct – Increase in provision does not affect (decrease) sales account

Option D: is not correct - increase in provision does not affect (increase) sales account

Q37 B (ii), (iv) and (v)

Option (i): is not correct - Payable ageing analysis provide information of creditors payment not debt collection

Option (iii): is not correct - Payable aging analysis does not track purchases made

Q38 D Frw 800,000

Amount to be taken from purchase day book

Date	Description	Amount/Frw
01/1/2021	Credit purchase from MSN Ltd	300,000
24/01/2021	Purchase from Food point ltd on credit	500,000
		800,000

Option A, B and C are not correct – Please read below more explanations on other information in the question:

Cash sales are not recorded in purchase day book

Cash purchase do not form part of items to be posted under purchase day book

Returns are recorded in return day book not purchase day book

Credit sales are recorded in sales day book not purchase day book

Q39 C (ii), (iii), (iv)

Option (i): is not correct - Good coding system does not serve this role

Q40 D Discount received and returns

Option A: is not correct -Cash payment and purchase - These were correctly posted

Option B: is not correct -Purchase and bank payment - Correctly posted

Option C: is not correct - Returns, cash payment and opening balance: Correctly posted except for returns

Option D: is the correct answer - Discount received and returns - **Wrongly posted: Both Discount received and returns are posted on the debit side of the trade payable control account.**

Q41 B Mayange has bought goods from Bugesera

Option A: is not correct -This will be a receivable in Mayange's books of account

Option C: is not correct - This would not result into credit balance

Option D: is not correct - This would not result into credit balance

Q42 C Frw 7,200,000

Dr	Receivable ledger control account		Cr
	Frw		Frw
Bal b/d	7,200,000	Receipt from customers	18,000,000
Credit sales	42,000,000	Bad debt	1,200,000
		Discount allowed	400,000
		Bal c/d	29,600,000
	49,200,000		49,200,000

Option A, B and D are not correct considering the above receivables ledger

Q43 C Dr: Bad debt (Expense) a/c
Cr: Receivable control account

Option A: is not correct- it reverses the correct entry.

Option B: is not correct – Provision account is used when the debt is doubtful but not yet written off.

Option D: is not correct – The accountant is preparing the receivables control account and not receivable person account of the customer.

Q44 D Frw 13,200,000

Dr	Payable ledger control account	Cr
	Frw	Frw
Payment to suppliers	10,000,000	Bal b/d 5,000,000
Discount received	400,000	Credit purchase 20,000,000
Purchase returns	1,400,000	
Bal c/d	13,200,000	

Option A, B and C are not correct considering the above account – Note the credit Purchases are determined as $17,000,000 \times 100/85$

Q45 B Employer's Contribution to maternity

Option A: is not correct - This is part of gross

Option C: is not correct - This is part of gross and it would not be added again

Option D: is not correct - This is part of gross and it would not be added again

Q46 C Frw 2,372,854

	Frw
Gross salary	2,147,142
Employer SSF contribution	107,357
Employer Medical insurance	111,914
Employer maternity contribution	6,441
Total payroll costs to be charged	2,372,854

Option A, B and D are not correct considering the above calculations.

Q47 D It is necessary to keep business assets and liabilities separate from the personal assets and liabilities of the proprietor

Option A: is not correct - Revenue expenditure must be charged to P/L

Option B: is not correct - Capital expenditure is a balance sheet item not P/L item

Option C: is not correct - Opening stock should not appear in Balance sheet

Q48 D It is issued by a customer to a supplier to request a credit note

Option A: is not correct - This is credit note not debit note

Option B: is not correct – A debit note is never used to reduce the selling price

Option C: is not correct – A debit note is not used to request payment

Q49 B Improved debt collection methods

Option A: is not correct -Penalty could harm relationship with customers

Option C: is not correct -Bank overdraft does not help anything on debt collection

Option D: is not correct - This would increase bad debt

Q50

C Receipts

Option A: is not correct: Invoices are created when there are purchases or sales and not necessarily when immediate payment is made

Option B: is not correct: Purchase order is used when business places an order with another business for the purchase of goods or services, such as material supplies.

Option D: is not correct – no supporting document is known as “statement.”

End of model answer and marking guide