CERTIFIED ACCOUNTING TECHNICIAN

STAGE 1 EXAMINATIONS

S.1.1: RECORDING FINANCIAL TRANSACTIONS

DATE: TUESDAY 27, AUGUST 2024

MARKING GUIDE AND MODEL ANSWERS

Marking guide

Question	**Correct Choice**	**Marks awarded**	**Question**	**Correct Choice**	**Marks awarded**
01	C	2	26	D	2
02	B	2	27	A	2
03	B	2	28	A	2
04	C	2	29	B	2
05	B	2	30	C	2
06	C	2	31	A	2
07	B	2	32	C	2
08	C	2	33	A	2
09	C	2	34	B	2
10	A	2	35	B	2
11	D	2	36	B	2
12	A	2	37	B	2
13	A	2	38	A	2
14	C	2	39	B	2
15	B	2	40	D	2
16	C	2	41	A	2
17	B	2	42	C	2
18	D	2	43	B	2
19	B	2	44	A	2
20	B	2	45	A	2
21	A	2	46	A	2
22	B	2	47	A	2
23	A	2	48	A	2
24	A	2	49	B	2
25	C	2	50	C	2
For each correct choice award					2 Marks
Total marks awarded					**100**

Model Answers

QUESTION ONE
The correct answer is C

Net purchase =total purchase - return + transport in = 3,500,000-200,00+100,000=FRW **3,400,000**

why options A, B, and D are not the correct answers:

A) Net purchase =total purchase -return - transport in=3,500,000-200,000-100,000=FRW **3,200,000**

B) Net purchase =total purchase +return - transport in=3,500,000+200,000-100,000=FRW **3,600,000**

D) Net purchase =total purchase +return + transport in=3,500,000+200,000+100,000=FRW **3,800,000**

QUESTION TWO
The correct answer is B

When a business pays its suppliers immediately upon receiving goods, it is considered as a Cash transaction.

Let's analyze why options A, C, and D are incorrect in this scenario:

A. Credit Transaction: A credit transaction involves buying goods or services on credit, where payment is made at a later date. In the given scenario of paying suppliers immediately upon receiving goods, there is no extension of credit involved; hence, it cannot be classified as a credit transaction.

C. Accounts Payable Transaction: Accounts payable refer to the money a company owes its suppliers for goods and services purchased on credit. In this case, since the payment is made immediately upon receiving the goods, there is no creation of an account's payable liability. Therefore, it does not fall under an accounts payable transaction.

D. Accounts Receivable Transaction: Accounts receivable represent money owed to a company by its customers for products or services provided on credit. This option is unrelated to the scenario described because it pertains to incoming payments from customers rather than outgoing payments to suppliers.

QUESTION THREE
The correct answer is B

lower costs compared to credit card processing fees stands out as a significant advantage of using alternative payment methods.

Why A, C, and D are Incorrect:

A. Faster processing times: This statement is incorrect because cryptocurrency transactions are not always faster than traditional payment methods like credit cards. The speed of a cryptocurrency transaction can vary depending on factors such as network congestion, the specific cryptocurrency being used, and the efficiency of the blockchain network processing the transaction. In some cases, cryptocurrency transactions can actually be slower than credit card transactions.

C. Enhanced security measures: While it is true that cryptocurrencies offer security features such as encryption and decentralization, they are not immune to security risks. Cryptocurrency exchanges and wallets have been targeted by hackers in the past, resulting in significant losses for users. Additionally, the irreversible nature of many cryptocurrency transactions means that if funds are sent to the wrong address or stolen, they cannot be easily recovered.

D. Avoidance of potential chargebacks: Unlike credit card payments where chargebacks are possible in cases of fraud or disputes, cryptocurrency transactions are irreversible once confirmed on the blockchain. This lack of a chargeback mechanism means that if a user sends funds to the wrong address or falls victim to a scam, there is no way to recover the funds through traditional means.

QUESTION FOUR
The correct answer is C

It automates and streamlines the reconciliation process

Bank reconciliation is a critical process for businesses to ensure that their financial records match the transactions recorded by their bank. Technology has significantly impacted this process, primarily by automating and streamlining it.

Here's why options A), B), and D) are not the correct answers:

A) It makes it more complicated and error-prone: Contrary to this statement, technology has actually made the bank reconciliation process less complicated and reduced the chances of errors. With the advent of accounting software and automated reconciliation tools, manual errors are minimized, and the process becomes more efficient.

C) It eliminates the need for bank reconciliation altogether: Bank reconciliation remains a fundamental internal control procedure in accounting practices, even with technological advancements. While automation can simplify the process, it does not eliminate the need for reconciling financial records with bank statements to detect discrepancies or fraudulent activities.

D) It increases manual work required for reconciliation: Technology aims to reduce manual work in bank reconciliation by automating repetitive tasks such as matching transactions, identifying discrepancies, and generating reports. By leveraging technology, businesses can streamline the reconciliation process and free up resources for more strategic financial activities.

QUESTION FIVE

The correct answer is B

To determine the ending balance of the Accounts Payable control account, we need to calculate the total of all transactions affecting the account.

Beginning Balance: FRW 10,000 (Given)

Total Purchases on Credit: FRW 30,000

Payments Made on Accounts Payable: FRW 20,000

Now, let’s calculate the ending balance:

Beginning Balance + Total Purchases on Credit - Payments Made on Accounts Payable

FRW 10,000 + FRW 30,000 - FRW 20,000 = FRW 20,000 (debit balance)

Therefore, the ending balance of the Accounts Payable control account is a debit balance of FRW 20,000.

Why A), C), and D) are not correct:

A) FRW 20,000 credit balance: This option suggests a credit balance which is incorrect as the ending balance is a debit of FRW 20,000.

C) FRW 30,000 credit balance: This option represents the total purchases on credit during the period and not the ending balance of the account.

D) FRW 10,000 debit balance: This option reflects only the beginning balance and does not consider the additional purchases and payments made during the period.

QUESTION SIX

The correct answer is C

The business structure determines the extent of separation between the business and its owner(s).

Understanding the Separation of a Business from its Owner(s):

When it comes to the separation of a business from its owner(s), it is essential to consider how different business structures impact this relationship

Why A, B, and D are Incorrect:

A. The owner’s personal assets are always protected from any business liabilities. This statement is incorrect because the level of protection for the owner’s personal assets depends on the business structure chosen. In a sole proprietorship or general partnership, there is no legal separation between the business and the owner(s), so personal assets are not protected from business liabilities. However, in entities like corporations and limited liability companies (LLCs), there is typically a separation that shields personal assets from business debts.

B. The business and its owner(s) are considered one legal entity. This statement is incorrect because different business structures offer varying degrees of separation between the business and its owners. For example, in a sole proprietorship or partnership, there is no legal distinction between the business and the owner(s), making them one entity. On the other hand, corporations and LLCs are separate legal entities from their owners.

D. Business profits must always be directly deposited into the owner’s personal account. This statement is incorrect as there is no legal requirement for business profits to be deposited directly into the owner’s personal account. Business profits can be reinvested back into the company, distributed to owners through dividends or distributions, or kept in a separate business account.

QUESTION SEVEN
The correct answer is B

Secure Method of Payment One of the significant advantages of using cheques for payments is that they provide a secure method of transferring funds. When you write a cheque, it contains specific details such as the payee's name, amount to be paid, and your signature. This information makes it more secure compared to cash transactions as it requires verification before being processed.

Now, let's address why options Why A, C, and D are Incorrect:

A. Instant transfer of funds: Cheques do not offer instant transfer of funds. When a cheque is deposited, it usually takes time for the funds to clear and be available in the recipient's account. This process can take several days, depending on the banking system and policies in place.

C. No need for a bank account: In order to use cheques for payments, both the payer and the payee typically need to have bank accounts. The payer needs a bank account to issue the cheque, and the payee needs a bank account to deposit the cheque. Therefore, having a bank account is usually a requirement for using cheques as a payment method.

D. Easily traceable transactions: While it is true that cheques leave a paper trail and can be traced back to the payer and payee, this process is not always straightforward or immediate. Tracking cheque transactions may require contacting banks, verifying signatures, and going through a manual process, which can be time-consuming compared to electronic payment methods that offer real-time transaction tracking.

QUESTION EIGHT
The correct answer is C

Interest rate on savings account: The interest rate on a savings account is not typically included in a bank statement. While interest earned may be reflected in the statement as part of the account balance, the specific interest rate is usually not detailed on the statement itself.

Why A, B, and D are Incorrect:

In a bank statement, the following information is typically included:

A. Account holder's name and address: The account holder's name and address are usually included in a bank statement to identify the owner of the account and ensure that the statement is being sent to the correct individual.

B. Check images or copies of deposited checks: Bank statements often include images or copies of deposited checks to provide a record of transactions and verify deposits made into the account.

C. Interest rate on savings account: The interest rate on a savings account is not typically included in a bank statement. While interest earned may be reflected in the statement as part of the account balance, the specific interest rate is usually not detailed on the statement itself.

D. Account number and routing number: Both the account number and routing number are essential components of a bank statement. These numbers help identify the specific account and facilitate electronic transactions such as direct deposits or wire transfers.

QUESTION NINE
The correct answer is C

It is used to track goods purchased from customers.

The statement that the purchase returns day book is used to track goods purchased from customers is false. The purchase returns day book, also known as the return's outward day book, is a subsidiary ledger used to record all goods returned to suppliers. It helps in tracking faulty goods returned to suppliers, records the cost of goods returned for credit or refund, and aids in maintaining accurate inventory records.

Statements A, B, and D are not false, as they accurately describe the functions and purposes of the purchase returns day book.

A. It helps in tracking faulty goods returned to suppliers:

This statement is true. The purchase returns day book is specifically designed to track faulty or damaged goods that are returned to suppliers. By recording these returns, businesses can ensure proper documentation of defective items and facilitate the process of obtaining refunds or replacements.

B. It records the cost of goods returned for credit or refund:

This statement is also accurate. The purchase returns day book captures details of goods that have been returned for credit or refund, including the cost of the items being returned. This information is essential for maintaining accurate financial records and ensuring that appropriate adjustments are made to accounts payable.

D. It helps in maintaining accurate inventory records:

This statement is true. By recording all returns of purchased goods in the purchase returns day book, businesses can ensure that their inventory records remain up-to-date and accurate. Tracking these returns helps prevent discrepancies in inventory levels and ensures that financial statements reflect the true value of inventory on hand.

QUES TION 10
The correct answer is A

Calculating the Company's Net Sales Revenue Excluding VAT:

Given:

Total sales revenue for the month: FRW 1,500,000

VAT collected from customers: FRW 225,000

To find the company's net sales revenue excluding VAT, we need to subtract the VAT amount from the total sales revenue.

Net Sales Revenue = Total Sales Revenue - VAT Collected

Net Sales Revenue = FRW 1,500,000 - FRW 225,000 Net Sales Revenue = FRW 1,275,000

Now, let's explain why options B, C, and D are incorrect:

B. FRW 1,725,000 (Incorrect Answer) =1,500,000+225,000

This option is incorrect because it adds the VAT amount to the total sales revenue instead of subtracting it.

C. FRW 225,000 (Incorrect Answer)

This option is incorrect as it only represents the amount of VAT collected and not the net sales revenue excluding VAT.

D. FRW 1,500,000 (Incorrect Answer)

This option is incorrect as it represents the total sales revenue without deducting the VAT collected.

QUESTION 11
The correct answer is D

Calculating the Effective Price Paid by the Customer:

Given:

Original price of the product = FRW 200,000

Rebate received by the customer = FRW 50,000

Discount on the product = FRW 30,000

To calculate the effective price paid by the customer after receiving the rebate and discount, we need to subtract both the rebate and discount from the original price of the product.

Subtracting the Discount: Original price - Discount = Effective price before rebate FRW 200,000 - FRW 30,000 = FRW 170,000

Subtracting the Rebate from Effective Price before Rebate: Effective price before rebate - Rebate = Effective price after rebate FRW 170,000 - FRW 50,000 = FRW 120,000

Therefore, the effective price paid by the customer after receiving the rebate is FFRW 120,000 (Option D).

Why A, B, and C are Incorrect:

A. FRW 150,000:200,000-50,000

This option is incorrect because it does not account discount provided to the customer.

B. FRW 170,000:200,000-30,000

This option is incorrect as it only considers one of the reductions discounts but fails to calculate the total reduction in price.

C. FRW 280,000: 200,000+50,000+30,000

This option is incorrect as it seems to have added both the rebate and discount to the original price instead of subtracting them from it.

QUESTION 12
The correct answer is A

Standing order requires manual authorization each time, while direct debit is automatic.

Why B, C, and D are incorrect:

B. Direct debit requires manual authorization each time, while standing order is automatic: This statement is incorrect because in reality, direct debit is the method that allows for automatic payments to be made without requiring manual authorization each time. On the other hand, a standing order does require manual authorization for each payment.

C. Both standing order and direct debit require manual authorization each time: This option is incorrect as it inaccurately states that both methods require manual authorization for every transaction. In fact, only standing orders necessitate manual approval for each payment, while direct debits are set up to occur automatically.

D. Both standing order and direct debit are automatic without any authorization: This choice is incorrect because both standing orders and direct debits involve some form of authorization. While direct debits are authorized once by the payer but then proceed automatically for subsequent payments, standing orders require individual authorizations for each payment.

QUESTION 13
The correct answer is A

The first step in performing a bank reconciliation is to compare the bank statement balance to the company's cash account balance. This is because the primary purpose of bank reconciliation is to ensure that the balances in an organization's accounting records agree with the corresponding information on the bank's statement. By comparing the two balances, any discrepancies can be identified and investigated, allowing for accurate financial reporting and decision-making.

Why B, C, and D are Incorrect Answers

Here are some reasons why the other options are not the first step:

Record outstanding checks and deposits in transit (B): While recording outstanding checks and deposits is an essential step in bank reconciliation, it should not be the first step. This is because outstanding items are typically recorded after comparing the bank statement balance and the company's cash account balance.

Reconcile any interest earned on the bank account (C): Although reconciling interest earned on a bank account is an important aspect of managing finances, it should not be the first step in bank reconciliation. Interest earnings are usually recorded separately from the primary bank reconciliation process.

Verify the accuracy of all customer transactions (D): Verifying customer transactions is crucial for maintaining accurate financial records, but it is not the first step in bank reconciliation. Customer transactions are typically reviewed during other accounting processes, such as accounts receivable management or regular account reconciliations.

QUESTION 14
The correct answer is C

Debit Inventory Account FRW 80,000 and Accounts Payable FRW 50,000; Credit Cash Account FRW 30,000

Here's a breakdown of why options A, B, and D are incorrect:

A. Credit Inventory Account FRW 80,000; Credit Cash Account FRW 30,000 and Accounts Payable FRW 50,000

This option is incorrect because when purchasing inventory on credit, you would debit the Inventory account for the full amount of FRW 80,000 to increase the asset value. The cash payment of FRW 30,000 would be credited to the Cash account. The remaining amount of FRW 50,000 would be credited to Accounts Payable.

B. Debit Cash Account FRW 30,000 and Accounts Payable FRW 50,000; Credit Inventory Account FRW 80,000

This option is incorrect because it incorrectly debits the Cash account for only the cash payment made and does not account for the full purchase price of the inventory. The Inventory account should be debited for the full purchase price of FRW 80,000.

D. Debit Cash Account FRW 30,000; Credit Inventory Account FRW 80,000 and Accounts Payable FRW 50,000

This option is incorrect because it debits the Cash account correctly for the cash payment but incorrectly credits both Inventory and Accounts Payable accounts. When purchasing inventory on credit, you debit Inventory for its full value and credit Accounts Payable for the amount owed.

QUESTION 15
The correct answer is B

Preparing financial statements is the most relevant activity among the options provided when considering the overall accounting process

Why A, C, and D are not correct:

A. Posting closing entries: Posting closing entries is a necessary step in the accounting cycle to transfer the balances of temporary accounts to the permanent accounts. However, this process is typically done at the end of an accounting period to prepare for the next period's transactions and does not directly relate to the reasons why A is not correct.

C. Reconciling bank statements: Reconciling bank statements involves comparing the transactions on a company's bank statement with its own records to ensure accuracy and identify any discrepancies. While this is an essential part of financial management, it does not directly explain why C is not correct in relation to the other options provided.

D. Analyzing variances: Analyzing variances involves comparing actual financial results with budgeted or expected figures to understand differences and their causes. This process helps in identifying areas of concern or improvement but does not directly address why D is incorrect compared to the other options given.

QUESTION 16
The correct answer is C

In accounting, the term “data retention policy” refers to Establishing rules for how long data should be kept.

Let’s break down why options A, B, and D are incorrect:

A. Deleting all financial records after a year: This option is incorrect because a data retention policy does not necessarily mean deleting all records after a specific period. Instead, it involves setting guidelines for how long different types of data should be retained based on legal requirements, business needs, and other factors.

B. Storing data indefinitely without any guidelines: This option is incorrect as well because having a data retention policy means having specific rules in place for how long different types of data should be kept. Storing data indefinitely without any guidelines can lead to compliance issues, security risks, and unnecessary storage costs.

D. Encrypting all stored information daily: While encryption is an important aspect of data security, this option is not directly related to a data retention policy. A data retention policy focuses on determining the appropriate length of time that different types of data should be retained and the procedures for managing and disposing of that data when it is no longer needed.

QUESTION 17

The correct answer is B
Faster processing times for credit applications. Automated credit systems significantly expedite the processing of credit applications compared to manual methods. By automating tasks such as data collection, verification, and analysis, these systems can provide real-time responses to applicants, reducing waiting times and improving customer satisfaction.

why options A, C, and D are incorrect answers:

A) Increased likelihood of errors in credit decisions:

This statement is incorrect because automated credit systems are designed to minimize human error. By using algorithms and predefined criteria, these systems can make consistent and accurate credit decisions based on the data provided. Automation reduces the risk of errors that can occur in manual processes due to human oversight or fatigue.

C) Higher costs associated with manual credit evaluations:

Contrary to this option, automated credit systems often lead to cost savings for financial institutions. Manual credit evaluations require significant manpower and time to process applications, leading to higher operational costs. In contrast, automated systems streamline the process, reduce the need for manual intervention, and ultimately lower costs associated with evaluating creditworthiness.

D) Reduced efficiency in managing credit risk:

This option is inaccurate as automated credit systems enhance efficiency in managing credit risk. These systems can analyze vast amounts of data quickly and accurately, enabling lenders to assess risk more effectively. By leveraging automation tools such as predictive analytics and machine learning algorithms, financial institutions can better identify potential risks and make informed decisions to mitigate them.

QUESTION 18
The correct answer is D

Calculating Total Recorded Sales in the Sales Day Book

To calculate the total recorded in the sales day book for the day when a company records FRW 30,000 in cash sales and FRW 20,000 in credit sales, we need to add these two amounts together.

Given:

Cash sales: FRW 30,000

Credit sales: FRW 20,000

Total Recorded Sales Calculation:

Total Recorded Sales = Cash Sales + Credit Sales Total Recorded Sales = FRW 30,000 + FRW 20,000 Total Recorded Sales = FRW 50,000

Therefore, the total recorded in the sales day book for that day would be FRW 50,000.

Why A, B, and C are Incorrect Answers:

Option A (FRW 10,000) is incorrect because it does not account for both cash and credit sales.

Option B (FRW 20,000) is incorrect as it only considers one of the two types of sales made.

Option C (FRW 30,000) is also incorrect as it only includes the cash sales amount and does not consider credit sales.

QUESTION 19
The correct answer is B

To Ensure that Financial Statements Reflect True Financial Position

One of the primary reasons for posting accurate day book totals to the ledger is to ensure that the financial statements reflect the true financial position of a company. The ledger serves as the central repository of all financial transactions, and inaccuracies in posting can lead to errors in the financial statements. By accurately recording day book totals in the ledger, companies can provide stakeholders with reliable and transparent financial information that reflects the actual state of affairs.

Why A, C, and D are Incorrect:

A. To Confuse Auditors During Financial Reviews: Deliberately posting inaccurate day book totals to confuse auditors during financial reviews is unethical and illegal. Auditors rely on accurate financial records to assess a company’s financial health and detect any irregularities or fraudulent activities. Misleading auditors through inaccurate postings can have serious legal consequences.

C. To Save Time by Skipping This Step Entirely: Skipping the step of posting accurate day book totals to the ledger may seem like a time-saving measure initially but can lead to significant problems in the long run. Inaccurate or incomplete records can result in errors in financial reporting, mismanagement of funds, and difficulties in tracking transactions.

D. To Make It Easier for Competitors to Analyze Financial Data: Intentionally making it easier for competitors to analyze financial data by posting inaccurate information goes against the principles of ethical business conduct. Maintaining transparency and accuracy in financial reporting is essential for building trust with stakeholders and ensuring long-term sustainability.

QUESTION 20
The correct answer is B

Correct Journal Entry to Record a Loan Taken Out by the Company:

The correct journal entry to record a loan taken out by a company involves increasing the cash account (as the company receives cash) and increasing the liability account for the loan. Therefore, the correct journal entry is:

B) Debit Cash, Credit Loan Payable

Why A, C, and D are Incorrect:

A) Debit Loan Payable, Credit Cash: This entry would incorrectly decrease the cash account instead of increasing it when the company receives the loan amount.

C) Debit Loan Receivable, Credit Cash: This entry would be used if the company was lending money to another entity and not borrowing. In this case, as the company is taking out a loan, it should not record a loan receivable.

D) Debit Cash, Credit Loan Receivable: This entry would be used if the company was lending money to another entity and not borrowing. When a company borrows money, it should record a liability account (loan payable), not an asset account (loan receivable).

QUESTION 21
The correct answer is A

Total Assets Calculation:

Given:

Total Equity = FRW 600,000

Total Non-current Liabilities = FRW 200,000

Total Current Liabilities = FRW 100,000

We can use the accounting equation to calculate the total assets of the company:

Total Assets = Total Equity + Total Liabilities

Total Liabilities = Total Non-current Liabilities + Total Current Liabilities

Substitute the given values into the equations:

Total Liabilities = FRW 200,000 + FRW 100,000 = FRW 300,000

Total Assets = FRW 600,000 + FRW 300,000 = FRW 900,000

Therefore, the correct answer is AFRW 900,000.

Why B, C, and D are Incorrect:

B. FRW 400,000: 600,000-200,000 This is incorrect because it only considers the equity subtract non-current liabilities.

C. FRW 700,000:600,000+200,000-100,000 This is incorrect because it only considers the equity and non-current liabilities but fails to include current liabilities.

D. FRW 800,000: 600,000+200,000 This is incorrect because it adds up equity and non-current liabilities but does not consider current liabilities in the calculation.

QUESTION 22
The correct answer is B

To reconcile discrepancies between cash and bank balances: The primary purpose of having separate columns for cash and bank transactions in a three-column cash book is to facilitate the reconciliation process between the actual physical cash balance (cash column) and the bank balance (bank column). This separation helps in identifying any discrepancies that may arise between the two balances, enabling businesses to ensure their financial records are accurate.

why options A, C, and D are incorrect for the purpose of having these separate columns:

A. To differentiate between revenue and expenses: Separate columns for cash and bank transactions in a three-column cash book do not primarily serve the purpose of differentiating between revenue and expenses. The differentiation between revenue and expenses is typically done through other accounts such as income statements or profit and loss statements.

C. To calculate net profit accurately: While accurate recording of transactions is essential for calculating net profit, the separation of cash and bank transactions in a three-column cash book does not directly impact the calculation of net profit. Net profit is usually determined by considering all revenues and expenses, regardless of whether they are recorded in the cash or bank column.

D. To track inventory movements: Tracking inventory movements is usually done through separate inventory management systems or accounts specifically designed for monitoring stock levels, purchases, and sales. The separation of cash and bank transactions in a three-column cash book is more focused on managing cash inflows and outflows rather than tracking inventory movements.

QUESTION 23
The correct answer is A

Sales transactions are recorded in the day book before being posted to the general ledger: This statement is true. In accounting processes, sales transactions are initially recorded in the day book or journal as part of the double-entry system before being transferred to the general ledger accounts. The day book acts as a detailed record of individual transactions, providing a chronological history that supports accurate financial reporting.

Why Statements B, C, and D are Incorrect:

B. The day book is used to record only purchases and not sales transactions: This statement is incorrect. The day book, also known as the journal, is a book of original entry where all financial transactions are recorded in chronological order. It is not limited to recording only purchases but includes all types of transactions, including sales.

C. Sales transactions are directly posted to the general ledger without being recorded in the day book: This statement is incorrect. Sales transactions are typically recorded in the day book first before being posted to the general ledger. The day book serves as a record of all transactions before they are transferred to the general ledger for summarization.

D. The day book is primarily used for recording employee salaries: This statement is incorrect. While the day book records various types of transactions, including expenses such as employee salaries, it is not limited to this purpose alone. The day book captures all financial activities of a business, including sales, purchases, expenses, and other relevant transactions.

QUESTION 24
The correct answer is A

A true statement is A) Accounts payable represents money owed to suppliers.

Why Statements B, C, and D are Incorrect:

Statement B (Accounts receivable represents money owed by suppliers): Accounts receivable actually represent money owed to a company by its customers, not by suppliers. When a company sells goods or services on credit, it creates an account receivable which is the amount that the customer owes to the company.

Statement C (Suppliers are not involved in the accounting process): Suppliers play a crucial role in the accounting process of a business. They provide goods or services to the company, which leads to transactions that need to be recorded in the company’s financial records. These transactions include purchases on credit (accounts payable) or cash purchases.

Statement D (Suppliers only deal with cash transactions): Suppliers can engage in both credit and cash transactions with a company. While some transactions may involve immediate payment in cash, many businesses also purchase goods or services on credit from their suppliers, leading to accounts payable.

QUESTION 25
The correct answer is C

To provide an overview of the company’s profitability: The main purpose of an income statement is to present a summary of a company’s revenues, expenses, gains, and losses during a specific period to determine its profitability. By comparing revenues with expenses, stakeholders can evaluate whether a company has generated a profit or incurred a loss. This information is vital for investors, creditors, analysts, and other stakeholders to assess the financial health and performance of the business.

why options A, B, and D are incorrect in describing the purpose of the income statement:

A) To show the company's assets and liabilities: The income statement does not directly display a company's assets and liabilities. Instead, it focuses on the revenues earned and expenses incurred during a specific period to determine the net income or loss generated by the business. Assets and liabilities are typically presented on the balance sheet, which provides a snapshot of a company's financial position at a specific point in time.

B) To report cash flows from operating, investing, and financing activities: While the cash flow statement is responsible for detailing cash flows from operating, investing, and financing activities, the income statement primarily focuses on reporting revenues, expenses, gains, and losses incurred by a company during a specific accounting period. The income statement helps stakeholders assess the profitability of the business rather than focusing on cash flows.

D) To disclose changes in equity over time: Changes in equity over time are primarily reflected in the statement of changes in equity or within the equity section of the balance sheet. The income statement does not directly disclose changes in equity; instead, it showcases how revenues and expenses impact net income, which subsequently influences equity but is not its primary purpose.

QUESTION 26
The correct answer is D

Calculating Total Non-Current Assets

To find the total non-current assets, we can use the accounting equation:

Assets=Liabilities+Owner's Equity

Given:

Owner's Equity = FRW 90,000

Liabilities = FRW 30,000

Current Assets = FRW 40,000

We need to find the total assets first before determining the non-current assets. The total assets can be calculated as follows:

Total Assets=Liabilities+Owner's Equity

Total Assets=$FRW$30,000+$FRW$90,000=$FRW$120,000

Now that we have found the total assets, we can determine the current assets by subtracting the current assets from the total assets:

Non-Current Assets=Total Assets−Current

NCA=$FRW$120,000−$FRW$40,000=$FRW$80,000

Why A, B, and D are not correct:

A. FRW 120,000: 90,000+30,000 This is the total assets and not specifically the total non-current assets.

B. FRW 60,000: 90,000-30,000 This is not the correct calculation for total non-current assets.

C. FRW 130,000:90,000+40,000 is incorrect because it includes both current assets.

QUESTION 27

The correct answer is A

Closing Balance = Opening Balance + Cash Received - Payments Made

Closing Balance = FRW 5,000 + FRW 10,000 - FRW 7,500

Closing Balance = FRW 7,500

Why B, C, and D are incorrect:

Option B (FRW 12,500): 10,000+7,500-5,000 This amount would be the closing balance if only cash received was considered without accounting for payments made.

Option C (FRW 15,000): 10,000+5,000 This amount would be the closing balance if both cash received and payments made were added to the opening balance without subtracting payments made.

Option D (FRW 17,500): 10,000+7,500 This amount would be incorrect as it does not account for the payments made from the total of cash received and opening balance.

QUESTION 28

The correct answer is A

Step-by-Step Solution:

Calculate the Correct Amount for the Expenses Account:

Day book total for expenses = FRW 10,500

Prepaid expenses recorded separately = FRW 2,500

Correct amount to be posted in the expenses account = Day book total - Prepaid expenses

Correct amount = FRW 10,500 - FRW 2,500 = FRW 8,000

Explanation of Why Options B, C, and D are Incorrect:

Why B, C, and D are Incorrect:

B. FRW 10,500: This is the total day book expense amount without considering the prepaid expenses separately. It does not reflect the actual amount that should be posted in the expenses account after deducting prepaid expenses.

C. FRW 13,000: 10,500+2,500 This amount is obtained by adding the day book total for expenses and prepaid expenses together. However, this does not represent the correct amount to be posted in the expenses account as it includes both prepaid and regular expenses.

D. FRW 2,500: This is only the amount of prepaid expenses recorded separately and should not be considered as the total amount to be posted in the expenses account.

QUESTION 29

The correct answer is B

Understanding the Supplier Reconciliation Process

Closing Out All Outstanding Invoices and Accounts Payable Records

Closing out all outstanding invoices and accounts payable records is indeed a critical aspect of supplier reconciliation.

Let’s analyze why options A, C, and D are incorrect answers:

A. Making Final Payment Settlements

Making final payment settlements is an essential part of the reconciliation process but does not necessarily represent the final step. It is typically done after all discrepancies have been resolved and accounts have been reconciled.

C. Conducting a Performance Review of All Suppliers Involved

While evaluating supplier performance is important for future decision-making, it is not the final step in the reconciliation process. This step usually occurs independently of the reconciliation process itself.

D. Initiating New Contracts with Different Suppliers

Initiating new contracts with different suppliers is a strategic decision that may follow the reconciliation process but does not constitute the final step in reconciling existing accounts.

QUESTION 30
The correct answer is C

Adjusting Interest Rates

Central bank primarily influences economic activity through monetary policy by adjusting interest rates. When a central bank, such as the Federal Reserve in the Rwanda, decides to raise or lower interest rates, it directly impacts borrowing costs for consumers and businesses.

why options A, B, and D are not the correct answers:

Setting Tax Rates (A): Central banks do not have the authority to set tax rates. Tax rates are typically determined by government fiscal policy, not monetary policy controlled by central banks.

Controlling Government Spending (B): Central banks also do not control government spending. Government spending decisions are made by elected officials and are part of fiscal policy, which is separate from monetary policy.

Regulating Stock Markets (D): While central banks may have some oversight over financial markets to ensure stability, regulating stock markets is primarily the responsibility of regulatory bodies like the Securities and Exchange Commission (SEC) in the United States. Central banks focus on monetary policy tools like interest rates to achieve their economic objectives.

QUESTION 31

The correct answer is A

Accounts payable represent money owed by the business, while accounts receivable represent money owed to the business: primary difference between accounts payable and accounts receivable lies in who owes whom - accounts payable involve money owed by the business to others (such as suppliers), while accounts receivable involve money owed to the business by others (such as customers).

let's delve into why options B, C, and D are incorrect:

Why Option B is Incorrect: Accounts payable represent money owed to the business, not by the business. When a company has accounts payable, it means that they owe money to their suppliers or vendors for goods or services received.

Why Option C is Incorrect: Option C states that both accounts payable and accounts receivable represent money owed by the business. This is inaccurate because accounts payable represent money owed to the business, while accounts receivable represent money owed by customers or clients to the business.

Why Option D is Incorrect: Accounts receivable represent money owed to the business, not by the business. When a company has accounts receivable, it means that their customers or clients owe them money for goods or services provided.

QUESTION 32
The correct answer is C

To handle small, routine expenses
Petty cash is a small amount of cash that a company keeps on hand to cover minor expenses. The primary purpose of petty cash. Let's analyze why options A, B, and D are incorrect:

A) To manage large financial transactions: Petty cash is not used for managing large financial transactions. Large financial transactions are typically handled through formal accounting procedures and payment methods like checks or electronic transfers.

B) To track employee attendance: Employee attendance tracking is unrelated to petty cash. Attendance tracking systems are used to monitor employees' working hours and attendance records, while petty cash is solely for small, day-to-day expenses.

D) To pay for major capital investments: Petty cash is not intended for major capital investments. Major capital investments usually involve significant amounts of money and require proper budgeting, planning, and approval processes within an organization.

QUESTION 33
The correct answer is A

To calculate how much the credit customer still owes after making a payment of FRW 12,500, receiving a discount of FRW 5,000, and returning goods worth FRW 2,000, we need to follow these steps:

Initial Outstanding Balance: FRW 40,000

Payment Made: FRW 12,500

Discount Received: FRW 5,000

Value of Goods Returned: FRW 2,000

Calculation:

Initial Outstanding Balance: FRW 40,000

Payment Made: - FRW 12,500

Discount Received: - FRW 5,000

Value of Goods Returned: + FRW 2,000

Total Amount Deducted: FRW 12,500 + FRW 5,000 + FRW 2,000 = FRW 19,500

Remaining Balance: FRW 40,000 - FRW 19,500 = FRW 20,500

Why B, C, and D are Incorrect:

Option B (FRW 24,500)

Calculate the Remaining Balance after Payment and Discount:

Subtract the payment and discount from the outstanding balance: FRW 40,000 - FRW 12,500 - FRW 5,000 = FRW 22,500

Adjust for Goods Returned:

Since the customer returns goods worth FRW 2,000, add this amount back to the remaining balance: FRW 22,500 + FRW 2,000 = FRW 24,500

Option C (FRW 27,500): 40,000-12,500 This is incorrect as it does not consider the deduction of the payment and discount from the outstanding balance.

Option D (FRW 25,500): 40,000-12,500-2000 This is incorrect as it overlooks adjusting for the value of goods returned in the calculation.

QUESTION 34
The correct answer is B

Internal checks are designed to prevent errors and fraud within an organization.

Internal checks, also known as internal controls, are procedures put in place by an organization to ensure the integrity of its operations, protect its assets, and prevent errors and fraud. These checks are not limited to financial transactions but encompass various aspects of an organization's activities.

why options A, C, and D are incorrect regarding internal checks:

A) Internal checks are only applicable to financial transactions: This statement is incorrect. Internal checks are not limited to financial transactions alone. While they do play a significant role in financial processes to prevent errors and fraud, internal checks also extend to various other aspects of an organization's operations, such as inventory management, compliance with policies and procedures, safeguarding assets, and ensuring operational efficiency.

C) Internal checks are primarily focused on external audits: This statement is incorrect. Internal checks are primarily aimed at ensuring the effectiveness of internal controls within an organization. While strong internal controls can facilitate external audits by providing reliable data and documentation, the primary purpose of internal checks is to safeguard the organization's assets, promote operational efficiency, and ensure compliance with regulations.

D) Internal checks are not necessary if a company has a small number of employees: This statement is incorrect. The need for internal checks is not determined by the size of a company but rather by the complexity of its operations and the inherent risks it faces. Even small organizations can benefit significantly from implementing internal controls to protect their assets, maintain accurate records, and prevent potential fraud or errors.

QUESTION 35
The correct answer is B

Importance of Remittance Advices in Financial Transparency and Record-Keeping, is that they provide essential documentation for tracking transactions. However, remittance advices play a crucial role in enhancing financial transparency and record-keeping within organizations. In addition,

Let's delve into why options A, C, and D are incorrect:

A. They don't have any impact on record-keeping: This statement is incorrect because remittance advices are essential documents that provide detailed information about a payment transaction. They typically include details such as the invoice number, payment amount, date of payment, and other relevant information. By documenting these details, remittance advices contribute significantly to record-keeping practices within an organization.

C. They confuse accounting departments: Contrary to this statement, remittance advices actually help streamline the accounting process rather than confusing it. By providing a clear breakdown of each payment made or received, remittance advices assist accounting departments in reconciling transactions accurately. This clarity reduces the chances of errors and confusion in financial records.

D. They are used solely for decoration purposes: This option is clearly incorrect as remittance advices serve a practical purpose in financial transactions. They are not decorative items but rather functional documents that facilitate proper documentation of payments and help maintain accurate financial records.

QUESTION 36
The correct answer is B

Debit Cash FRW 10,000; Credit Grant Payable FRW 10,000

Explanation:

Debit Cash FRW 10,000: When the company receives cash, it increases its cash balance. Therefore, the cash account is debited to reflect the increase in cash by FRW 10,000.

Credit Loan Payable FRW 10,000: Simultaneously, the company incurs a liability in the form of a loan payable. The loan payable account is credited to record the increase in liabilities by FRW 10,000.

Why A, C, and D are Incorrect:

A) Debit Loan Payable FRW 10,000; Credit Cash FRW 10,000: This entry incorrectly records the loan as decreasing (debiting) the loan payable account instead of increasing it with a credit entry.

C) Debit Loan Expense FRW 10,000; Credit Cash FRW 10,000: This entry inaccurately treats the loan as an expense rather than a liability. Loans are not expenses but represent borrowed funds that need to be repaid.

D) Debit Cash FRW 10,000; Credit Interest Expense FRW 10,000: This entry wrongly assumes that receiving a loan incurs interest expense immediately. Interest expense is recognized over time as interest accrues on the outstanding loan balance and is not recorded at the time of receiving the loan.

QUESTION 37
The correct answer is B

Benefits of Maintaining Proper Security and Control over Petty Cash

Proper security and control over petty cash are crucial for various reasons, and one significant benefit is reducing the risk of theft and misappropriation.

Here’s why options A, C, and D are incorrect:

Unrestricted Access to Funds (Option A): Allowing employees unrestricted access to funds can lead to misuse, mishandling, or unauthorized expenditures. Without proper controls in place, there is a higher risk of funds being used improperly or without accountability.

Increased Opportunities for Fraudulent Activities (Option C): Lax security measures and lack of control over petty cash create opportunities for fraudulent activities such as embezzlement, manipulation of records, or unauthorized withdrawals. Proper security measures help deter fraudulent behavior and ensure transparency in financial transactions.

Simplified Accounting Procedures (Option D): While maintaining proper security and control over petty cash involves implementing structured procedures and controls, it may not necessarily simplify accounting procedures. However, it does ensure accuracy, accountability, and transparency in financial reporting.

QUESTION 38
The correct answer is A

The correct adjusting entry at the end of the period in this scenario would be:

Debit Cash: FRW 5,000; Credit Unearned Revenue: FRW 5,000: it accurately reflects the adjustment needed at the end of the period based on the scenario described

Incorrect Answers B, C, and D Explained

Why Answer B is Incorrect:

Debiting Cash for FRW 10,000 and crediting Service Revenue for FRW 10,000 would not be correct because only services worth FRW 5,000 were provided during the period. Recognizing the full cash received as revenue before it is earned would overstate the company's revenue.

Why Answer C is Incorrect:

Debiting Unearned Revenue for FRW 5,000 and crediting Service Revenue for FRW 5,000 would also be incorrect. Unearned revenue represents money received for services not yet performed. In this case, only half of the services have been provided; therefore, only half of the unearned revenue should be recognized as earned.

Why Answer D is Incorrect:

Debiting Service Revenue for FRW 5,000 and crediting Unearned Revenue for FRW 5,000 would not be appropriate either. This entry would recognize all of the service revenue immediately when only half has been earned. It fails to account for the unearned portion of the revenue that still needs to be recognized in future periods.

QUESTION 39

The correct answer is B

Given:

Credit sales for the period = FRW 80,000

Balance on the accounts receivable control account before reconciliation = FRW 70,000

Calculate the Total of Individual Debtor Accounts in the Subsidiary Ledger:

The total of individual debtor accounts in the subsidiary ledger after reconciliation can be calculated by adding the credit sales to the balance on the accounts receivable control account before reconciliation.

Total of Individual Debtor Accounts Calculation:

Total = Credit Sales + Balance on Accounts Receivable Control Account

Total = FRW 80,000 + FRW 70,000

Total = FRW 150,000

Why A, C and D are Incorrect Answers:

A) AFRW 10,000:80,000-70,000 If we calculate using the formula mentioned above:

C) CFRW 50,000: Using the same calculation method: FRW 80,000 - FRW 70,000 + FRW 40,000

D) DFRW 110,000: FRW 70,000 (Balance on accounts receivable control account) + FRW 80,000 (Credit sales) - FRW 40,000 (Cash sales)

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QUESTION 40
The correct answer is D

Cheques provide a written record of payment: This statement is true. When a cheque is written and deposited, it serves as a written record of the transaction. The cheque includes details such as the payee's name, the amount paid, the date of payment, and the signature of the issuer.

Let's break down why statements A, B, and C are incorrect:

A) Cheques are not used in electronic transactions: This statement is incorrect because cheques can indeed be used in electronic transactions. Electronic cheque processing systems allow for the electronic transfer of cheque information between banks, making it possible to process cheques without the physical paper document.

B) Cheques are always guaranteed to be honored by the bank: This statement is incorrect because a cheque is only guaranteed if it is a certified cheque or a cashier's cheque. Regular cheques can bounce if the issuer does not have enough funds in their account to cover the amount specified on the cheque.

C) Cheques can only be issued by individuals, not businesses: This statement is incorrect as well. Businesses can issue cheques just like individuals can. In fact, many businesses use cheques for various financial transactions such as paying suppliers, employees, or other business expenses.

QUESTION 41
The correct answer is A

Capital Expenditure for Purchase of Machinery

When a business invests in machinery that will be used for several years, it incurs a capital expenditure. Capital expenditures are investments in long-term assets that provide benefits over an extended period, typically beyond one year. These expenditures are aimed at acquiring or upgrading assets that will help the business generate revenue or improve efficiency over the long term.

Why B, C, and D are Incorrect

Revenue Expenditure: Revenue expenditure refers to expenses incurred in the day-to-day operations of a business to maintain its earning capacity. These expenses are typically short-term in nature and do not result in the acquisition of long-term assets. Since the purchase of machinery for several years falls under a long-term asset acquisition, it does not qualify as a revenue expenditure.

Income Expenditure: Income expenditure is not a standard accounting term. It may refer to expenses related to generating income, but it is not commonly used in financial accounting to categorize expenditures.

Operating Expenditure: Operating expenditures are ongoing costs incurred by a business as part of its normal operating activities. While the maintenance and operational costs associated with using the machinery would be considered operating expenditures, the initial purchase of machinery itself for long-term use is classified as a capital expenditure.

QUESTION 42
The correct answer C

Calculation:
Starting Petty Cash Fund: FRW 10,000
Less Disbursements: - FRW 7,500
Plus Replenishment: + FRW 5,000
Therefore,
FRW 10,000 - FRW 7,500 + FRW 5,000 = FRW 7,500
Explanation of Why A, B and C are Incorrect:

Option A (FRW 2,500): 10,000-7,500 This is incorrect because it does not account for the replenishment received during the month. The ending balance should be higher due to the additional funds added back to the petty cash fund.

Option B (FRW 12,500):10,000+7,500-5000 This is incorrect as it incorrectly assumes that only disbursements were made without considering the replenishment received. The ending balance should be lower than this amount.

Option D (FRW 17,500):10,000+7,500 This option is incorrect as it overstates the ending balance by not deducting the disbursements made from the initial fund before adding back the replenishment amount.

QUESTION 43
The correct answer is B

It groups accounts receivable based on their age or how long they have been outstanding

Let’s break down why statements A, C, and D are incorrect in relation to an aging schedule for accounts receivable:

A. It categorizes accounts payable based on their alphabetical order - This statement is incorrect because an aging schedule for accounts receivable deals with categorizing and tracking outstanding invoices owed to a company by its customers, not with accounts payable, which are amounts owed by a company to its suppliers or vendors.

C. It calculates the inventory turnover ratio - The inventory turnover ratio is a financial metric used to evaluate how efficiently a company manages its inventory. It measures the number of times a company sells and replaces its inventory during a specific period. This ratio is not related to an aging schedule for accounts receivable, which focuses on tracking and managing outstanding customer invoices.

D. It determines the fixed asset turnover ratio - The fixed asset turnover ratio is a financial metric that evaluates how effectively a company utilizes its fixed assets to generate revenue. It compares net sales to average fixed assets to assess operational efficiency. Similar to the inventory turnover ratio, this metric is not directly associated with an aging schedule for accounts receivable.

QUESTION 44
The correct answer is A

To calculate the employee's net pay, we need to subtract all the deductions from the monthly salary:

Monthly Salary = FRW 120,000 PAYE = FRW 10,000 RSSB Statutory Deductions = FRW 5,000 CBHI = FRW 7,500

Net Pay = Monthly Salary - (PAYE + RSSB + CBHI) Net Pay = FRW 120,000 - (FRW 10,000 + FRW 5,000 + FRW 7,500) Net Pay = FRW 120,000 - FRW 22,500 Net Pay = FRW 97,500

Therefore, the employee's net pay after deducting PAYE, RSSB statutory deductions, and CBHI from the monthly salary of FRW 120,000 is AFRW 97,500.

Why B, C and D are incorrect:

B) FRW 130,000: 120,000+10,000 This option is incorrect because it suggests that the net pay is higher than the gross salary which is not possible.

C) FRW 105,000: 120,000-15,000 This option is incorrect as it does not consider all the deductions correctly. The sum of PAYE (FRW 10,000), RSSB (FRW 5,000), and CBHI (FRW 7,500) totals to FRW 22,500 which needs to be deducted from the gross salary.

D) FRW112,500: 120,000-7,500 This option is incorrect as it also does not account for all the deductions accurately.

QUESTION 45
The correct answer is A

Total value of transactions =FRW 80,000
Average processing fee per transaction = 1%
Fixed fee per transaction = FRW1,000
Calculating the Total Processing Fee
First, we need to calculate the total processing fee for the five credit card transactions. Since the processing fee is 1% of the transaction amount, we can calculate it as follows:
Total processing fee=Total transaction amount × Processing fee percentage
Total processing fee per each transaction = 80,000×1% = 80,000×0.01
Total processing fee = 800*5= FRW 4,000
Net revenue = value of transaction-total processing fee = 80,000-4,000 = FRW 76,000

Now let's explain why options B (FRW 79,200), C (FRW 75,000), and D (FRW 78,200) are incorrect:
Option B (FRW 79,200): 80,000-800 This amount seems to have included the total value of transactions without deducting any fees.
Option C (FRW 75,000): 80,000-4000-1000 This amount might have considered only

deducting the processing fees but not the fixed fees.

Option D (FRW 78,200): 80,000-800-1,000 This amount could be miscalculated.

QUESTION 46

The correct answer is A

The correct journal entry to record a sale of goods for FRW 5,000 with a cost of goods sold of FRW 2,000 would be as follows:

1st step:

Debit account receivables 5,000 FRW,

Credit the sales FRW 5,000,

2nd Step:

Credit Cost of Goods Sold FRW 2,000,

debit sales FRW 2,000.

Explanation of Incorrect Options:

Option B: Debit Accounts Receivable FRW 5,000, Credit Sales FRW 5,000
This option does not account for the Cost of Goods Sold and Inventory in the transaction.

Option C: Debit Cash FRW 5,000, Credit Sales FRW 5,000
This option assumes that the sale was made for cash when the question specifies that it was a credit sale.

Option D: Debit Cost of Goods Sold FRW 2,000, Credit Inventory FRW 2,000
This option incorrectly records only the Cost of Goods Sold and Inventory without accounting for the sales revenue.

QUESTION 47

The correct answer is A

Calculation of VAT Expense:

To calculate the amount that should be recorded as an expense for VAT Service price of FRW 50,000 and considering a VAT rate of 18%, we need to determine the VAT amount on the service price.

Step 1: Calculate the VAT Amount:

VAT Amount = Service price x VAT Rate VAT Amount = FRW 50,000 x 18% VAT Amount = FRW 9,000

Therefore, the correct answer is FRW 9,000.

Why B, C, and D are Incorrect:

Option B (FRW 7,627): 50,000*18/118 This amount does not correspond to the standard calculation of VAT at a rate of 18% on a total price of FRW 50,000.

Option C (FRW 42,373): 50,000 - 7627 This amount is incorrect as it does not represent the correct VAT exclusive value after deducting the applicable VAT from the total price.

Option D (FRW 41,000): 50,000 - 9,000 This value is also incorrect and does not align with the accurate calculation of the VAT exclusive amount based on a total price of FRW 50,000.

QUESTION 48

The correct answer is A

Calculation of Allowance for Irrecoverable Debts:
Given:
Accounts Receivable balance at the end of 31st December 2023 = FRW 600,000
Opening balance of bad debt = FRW 100,000
Estimated irrecoverable debts at 5% of accounts receivable
Calculate the Estimated Irrecoverable Debts:
5% of FRW 600,000 = 0.05 * FRW 600,000 = FRW 30,000
Explanation of Why Options A, C, and D Are Incorrect:
Why B, C, and D are Not Correct

Option B (BFRW 25,000): (600,000-100,000) *5%is not correct because it is lower than the calculated value

Option C (CFRW 23,810): (600,000-100,000) *5/105 is not correct because using inclusive

option D (DFRW 35,000): (600,000+100,000) *5% is not correct because it exceeds the total account receivables.

QUESTION 49

The correct answer is B

The amount an employee receives after deductions - is the correct definition of net pay in payroll processing
Why A, C, and D are Incorrect:
A. The total amount an employee earns before deductions: This is known as gross pay, not net pay. Gross pay is the total amount of compensation an employee receives before any deductions are taken out.
C. The additional payments made to employees for exceptional performance: This refers to bonuses or incentives given to employees for outstanding performance, which are typically separate from regular salary or wages and do not impact net pay directly.
D. The total cost incurred by the employer for hiring an employee: This is the overall cost to the employer of employing a staff member, including salary, benefits, taxes, and other expenses. Net pay specifically relates to the amount received by the employee after deductions and does not encompass all costs associated with employment.

QUESTION 50
The correct answer is C

The First Step in Applying Controls Over Payments on Authorizing and Making Payments
In the process of authorizing and making payments, the first step is C. Initiating payment requests. This is because before any payment request can be reviewed, approved, or recorded, it must first be initiated. Initiating a payment request involves the creation of a formal request

for payment to be made to a specific vendor or recipient.

Why A, B, and D are not correct:

A. Reviewing payment requests: Reviewing payment requests typically comes after the initiation of the request. It involves assessing the details of the payment request to ensure accuracy and compliance with company policies and procedures.

B. Approving payment requests: Approval of payment requests is a subsequent step that follows the review process. Once a payment request has been reviewed and deemed appropriate, it then moves on to the approval stage where authorized personnel give their consent for the payment to be processed.

D. Recording payment requests: Recording payment requests occurs after the payments have been authorized and made. It involves documenting the details of the transaction for accounting and auditing purposes.

END OF MARKING GUIDE AND MODEL AMSWERS