



CERTIFIED ACCOUNTING TECHNICIAN

STAGE 1 EXAMINATION

S1.1: RECORDING FINANCIAL TRANSACTIONS

DATE: TUESDAY 27, AUGUST 2024

INSTRUCTIONS:

1. **Time Allowed: 2 hours and 30 minutes**
2. This paper has **50 multiple-choice questions**; each question has two (2) Marks
3. **All the 50 questions** are to be attempted
4. The question paper should not be taken out of the examination room

QUESTION ONE

If purchases for the day were FRW 3,500,000 and returns amounts to FRW 200,000 and also have the transport of FRW 100,000.

What is the net amount that should be credited to the Purchases Account?

- A FRW 3,200,000
- B FRW 3,600,000
- C FRW 3,400,000
- D FRW 3,800,000.

(2 Marks)

QUESTION TWO

When a business pays its suppliers immediately upon receiving goods, it is considered as:

- A Credit transaction
- B Cash transaction
- C Accounts payable transaction
- D Accounts receivable transaction

(2 Marks)

QUESTION THREE

What is a common advantage of using cash for small transactions?

- A Faster processing times
- B Lower costs compared to credit card processing fees
- C Enhanced security measures
- D Avoidance of potential chargebacks

(2 Marks)

QUESTION FOUR

How does technology impact the process of bank reconciliation?

- A It makes it more complicated and error-prone
- B It eliminates the need for bank reconciliation altogether
- C It automates and streamlines the reconciliation process
- D It increases manual work required for reconciliation

(2 Marks)

QUESTION FIVE

If a company's Accounts Payable control account has a beginning balance of FRW 10,000 total purchases on credit during the period were FRW 30,000 and payments made on accounts payable were FRW 20,000.

What is the ending balance of the Accounts Payable control account?

- A FRW 20,000 credit balance
- B FRW 20,000 debit balance
- C FRW 30,000 credit balance
- D FRW 10,000 debit balance

(2 Marks)

QUESTION SIX

Which of the following statements is true regarding the separation of a business from its owner(s)?

- A The owner's personal assets are always protected from any business liabilities.
- B The business and its owner(s) are considered one legal entity.
- C The business structure determines the extent of separation between the business and its owner(s).
- D Business profits must always be directly deposited into the owner's personal account.

(2 Marks)

QUESTION SEVEN

Which of the following is an advantage of using cheques for payments?

- A Instant transfer of funds
- B Secure method of payment
- C No need for a bank account
- D Easily traceable transactions

(2 Marks)

QUESTION EIGHT

Which of the following is NOT typically included in a bank statement?

- A Account holder's name and address
- B Check images or copies of deposited checks
- C Interest rate on savings account
- D Account number and routing number

(2 Marks)

QUESTION NINE

Which of the following statements about the purchase returns day book is false?

- A It helps in tracking faulty goods returned to suppliers
- B It records the cost of goods returned for credit or refund
- C It is used to track goods purchased from customers
- D It helps in maintaining accurate inventory records

(2 Marks)

QUESTION TEN

If a company's total sales revenue for the month is FRW 1,500,000 and it collected FRW 225,000 in VAT from customers.

What was the company's net sales revenue excluding VAT?

- A FRW 1,275,000
- B FRW 1,725,000
- C FRW 225,000
- D FRW 1,500,000

(2 Marks)

QUESTION 11

If a customer receives a FRW 50,000 rebate and discount of FRW 30,000 on a product with an original price of FRW 200,000.

What is the effective price paid by the customer after receiving the rebate?

- A FRW 150,000
- B FRW 170,000
- C FRW 280,000
- D FRW 120,000

(2 Marks)

QUESTION 12

What is the main difference between standing order and direct debit?

- A Standing order requires manual authorization each time, while direct debit is automatic.
- B Direct debit requires manual authorization each time, while standing order is automatic.
- C Both standing order and direct debit require manual authorization each time.
- D Both standing order and direct debit are automatic without any authorization.

(2 Marks)

QUESTION 13

What is the first step in performing a bank reconciliation?

- A Compare the bank statement balance to the company's cash account balance
- B Record outstanding checks and deposits in transit
- C Reconcile any interest earned on the bank account
- D Verify the accuracy of all customer transactions

(2 Marks)

QUESTION 14

If a company buys inventory for FRW 80,000 and pays FRW 30,000 in cash immediately while the rest is on credit. **How would this be recorded in the day books?**

- A Credit Inventory Account FRW 80,000; Credit Cash Account FRW 30,000 and Accounts Payable FRW 50,000
- B Debit Cash Account FRW 30,000 and Accounts Payable FRW 50,000; Credit Inventory Account FRW 80,000
- C Debit Inventory Account FRW 80,000 and Accounts Payable FRW 50,000; Credit Cash Account FRW 30,000
- D Debit Cash Account FRW 30,000; Credit Inventory Account FRW 80,000 and Accounts Payable FRW 50,000

(2 Marks)

QUESTION 15

Which step follows after preparing and verifying a trial balance?

- A Posting closing entries.
- B Preparing financial statements.
- C Reconciling bank statements.
- D Analyzing variances.

(2 Marks)

QUESTION 16

In accounting, **what does the term "data retention policy" refer to?**

- A Deleting all financial records after a year
- B Storing data indefinitely without any guidelines
- C Establishing rules for how long data should be kept
- D Encrypting all stored information daily

(2 Marks)

QUESTION 17

Which of the following is a benefit of automated credit systems?

- A Increased likelihood of errors in credit decisions
- B Faster processing times for credit applications
- C Higher costs associated with manual credit evaluations
- D Reduced efficiency in managing credit risk

(2 Marks)

QUESTION 18

If a company records FRW 30,000 in cash sales and FRW 20,000 in credit sales for a day,

What would be the total recorded in the sales day book for that day?

- A FRW 10,000
- B FRW 20,000
- C FRW 30,000
- D FRW 50,000

(2 Marks)

QUESTION 19

Why is it important to post accurate day book totals to the ledger in accounting?

- A To confuse auditors during financial reviews
- B To ensure that financial statements reflect true financial position
- C To save time by skipping this step entirely
- D To make it easier for competitors to analyze financial data

(2 Marks)

QUESTION 20

What is the correct journal entry to record a loan taken out by the company?

- A Debit Loan Payable, Credit Cash
- B Debit Cash, Credit Loan Payable
- C Debit Loan Receivable, Credit Cash
- D Debit Cash, Credit Loan Receivable

(2 Marks)

QUESTION 21

If a company's total equity is FRW 600,000 and total non-current liabilities are FRW 200,000, with the total current liabilities are FRW 100,000. **What is its total assets?**

- A FRW 900,000
- B FRW 400,000
- C FRW 700,000
- D FRW 800,000

(2 Marks)

QUESTION 22

What is the purpose of having separate columns for cash and bank transactions in a three-column cash book?

- A To differentiate between revenue and expenses
- B To reconcile discrepancies between cash and bank balances
- C To calculate net profit accurately
- D To track inventory movements

(2 Marks)

QUESTION 23

Which of the following statements is true regarding entering sales transactions in the day books?

- A Sales transactions are recorded in the day book before being posted to the general ledger.
- B The day book is used to record only purchases and not sales transactions.
- C Sales transactions are directly posted to the general ledger without being recorded in the day book.
- D The day book is primarily used for recording employee salaries.

(2 Marks)

QUESTION 24

Which of the following statements about suppliers' accounts is true?

- A Accounts payable represents money owed to suppliers.
- B Accounts receivable represents money owed by suppliers.
- C Suppliers are not involved in the accounting process.
- D Suppliers only deal with cash transactions.

(2 Marks)

QUESTION 25

What is the purpose of the income statement in financial reporting?

- A To show the company's assets and liabilities
- B To report cash flows from operating, investing, and financing activities
- C To provide an overview of the company's profitability
- D To disclose changes in equity over time

(2 Marks)

QUESTION 26

If owner's equity is FRW 90,000 and liabilities are FRW 30,000, and also have the current asset of FRW 40,000. **What are the total non-current assets?**

- A FRW 120,000
- B FRW 60,000
- C FRW 130,000
- D FRW 80,000

(2 Marks)

QUESTION 27

In a cash book, if the opening balance is FRW 5,000, cash received is FRW 10,000, and payments made equals to FRW 7,500. **What is the closing balance?**

- A FRW 7,500
- B FRW 12,500
- C FRW 15,000
- D FRW 17,500

(2 Marks)

QUESTION 28

If the day book total for expenses is FRW 10,500 and prepaid expenses are recorded as a separate entry of FRW 2,500 in the day book totals column for expenses; **What is the correct amount to be posted in the expenses account of the general ledger?**

- A FRW 8,000
- B FRW 10,500
- C FRW 13,000
- D FRW 2,500

(2 Marks)

QUESTION 29

What is the final step in a successful supplier reconciliation process?

- A Making final payment settlements
- B Closing out all outstanding invoices and accounts payable records
- C Conducting a performance review of all suppliers involved
- D Initiating new contracts with different suppliers

(2 Marks)

QUESTION 30

What is one way that central bank influence economic activity through monetary policy?

- A Setting tax rates
- B Controlling government spending
- C Adjusting interest rates
- D Regulating stock markets

(2 Marks)

QUESTION 31

What is the primary difference between accounts payable and accounts receivable?

- A Accounts payable represent money owed by the business, while accounts receivable represent money owed to the business.
- B Accounts payable represent money owed to the business, while accounts receivable represent money owed by the business.
- C Both accounts payable and accounts receivable represent money owed by the business.
- D Both accounts payable and accounts receivable represent money owed to the business.

(2 Marks)

QUESTION 32

What is the purpose of petty cash?

- A To manage large financial transactions
- B To track employee attendance
- C To handle small, routine expenses
- D To pay for major capital investments

(2 Marks)

QUESTION 33

If a credit customer's outstanding balance is FRW 40,000. Thereafter, the payment of FRW 12,500 has been made, customers also get the discount of FRW 5,000. In addition, a customer XY returned some good worth FRW 2,000. **How much do, they still owe?**

- A FRW20,500
- B FRW 24,500
- C FRW27,500
- D FRW 25,500

(2 Marks)

QUESTION 34

Which of the following is true regarding internal checks?

- A Internal checks are only applicable to financial transactions.
- B Internal checks are designed to prevent errors and fraud within an organization.
- C Internal checks are primarily focused on external audits.
- D Internal checks are not necessary if a company has a small number of employees.

(2 Marks)

QUESTION 35

How do remittance advices contribute to financial transparency and record-keeping?

- A They don't have any impact on record-keeping
- B They provide essential documentation for tracking transactions
- C They confuse accounting departments
- D They are used solely for decoration purposes

(2 Marks)

QUESTION 36

If a company received a Grant of FRW 10,000 in cash, what is the correct journal entry?

- A Debit Loan Payable FRW 10,000; Credit Cash FRW 10,000
- B Debit Cash FRW 10,000; Credit Grant Payable FRW 10,000
- C Debit Loan Expense FRW 10,000; Credit Cash FRW 10,000
- D Debit Cash FRW 10,000; Credit Interest Expense FRW 10,000

(2 Marks)

QUESTION 37

What is one benefit of maintaining proper security and control over petty cash?

- A It allows employees unrestricted access to funds.
- B It reduces the risk of theft and misappropriation.
- C It increases opportunities for fraudulent activities.
- D It simplifies accounting procedures.

(2 Marks)

QUESTION 38

A company receives cash in advance from a customer for services to be provided later. If the amount received is FRW 10,000 and services worth only half that amount is provided during the current period.

What adjusting entry should be made at the end of the period?

- A Debit Cash: FRW 5,000; Credit Unearned Revenue: FRW 5,000
- B Debit Cash: FRW 10,000; Credit Service Revenue: FRW 10,000
- C Debit Unearned Revenue: FRW 5,000; Credit Service Revenue: FRW 5,000
- D Debit Service Revenue: FRW 5,000; Credit Unearned Revenue: FRW 5,000

(2 Marks)

QUESTION 39

If the credit sales for the period were FRW 80,000 and cash sales of FRW 40,000 whereby the balance on the accounts receivable control account before reconciliation was FRW 70,000.

What would be the total of individual debtor accounts in the subsidiary account receivable ledger after reconciliation?

- A FRW 10,000
- B FRW 150,000
- C FRW 50,000
- D FRW 110,000

(2 Marks)

QUESTION 40

Which of the following statements about cheques is true?

- A Cheques are not used in electronic transactions
- B Cheques are always guaranteed to be honored by the bank
- C Cheques can only be issued by individuals, not businesses
- D Cheques provide a written record of payment

(2 Marks)

QUESTION 41

What is type of expenditure is incurred for the purchase of machinery that will be used for several years?

- A Capital expenditure
- B Revenue expenditure
- C Income expenditure
- D Operating expenditure

(2 Marks)

QUESTION 42

On January 1, the petty cash fund was established with FRW 10,000. During the month, FRW 7,500 was disbursed for various expenses and receive the petty cash float of FRW 5,000. **What is the balance of the petty cash fund at the end of the month?**

- A FRW 2,500
- B FRW 12,500
- C FRW 7,500
- D FRW 17,500

(2 Marks)

QUESTION 43

Which of the following statements is true regarding an aging schedule for accounts receivable?

- A It categorizes accounts payable based on their alphabetical order
- B It groups accounts receivable based on their age or how long they have been outstanding
- C It calculates the inventory turnover ratio
- D It determines the fixed asset turnover ratio

(2 Marks)

QUESTION 44

An employee receives a monthly gross salary of FRW 120,000. If the employees have PAYE for the month amount of 10,000 and RSSB statutory deductions for that month amount to FRW 5,000 with also CBHI of FRW 7,500. **What is the employee's net pay?**

- A FRW 97,500
- B FRW 130,000
- C FRW 105,000
- D FRW112,500

(2 Marks)

QUESTION 45

In one week period, a shop processed five credit card transactions totaling FRW 80,000 with an average processing fee of 1% on each transaction. The credit card was subjected to a monthly fixed charge of FRW 1,000. **What was their net revenue from these transactions?**

- A FRW 76,000
- B FRW 79,200
- C FRW 75,000
- D FRW 78,200

(2 Marks)

QUESTION 46

What is the journal entry to record a sale of goods for FRW 5,000 with a cost of goods sold of FRW 2,000?

- A Debit account receivables 5,000 FRW, Credit the sales FRW 5,000, Credit Cost of Goods Sold FRW 2,000, debit sales FRW 2,000
- B Debit Accounts Receivable FRW 5,000, Credit Sales FRW 5,000
- C Debit Cash FRW 5,000, Credit Sales FRW 5,000
- D Debit Cost of Goods Sold FRW 2,000, Credit Inventory FRW 2,000

(2 Marks)

QUESTION 47

A service is priced at FRW 50,000 VAT exclusive. **Calculate the VAT to be recorded as an expense for VAT account in case the VAT rate applicable is 18%?**

- A FRW 9,000
- B FRW 7,627
- C FRW 42,373
- D FRW 41,000

(2 Marks)

QUESTION 48

Company XYZ estimates its irrecoverable debts allowance at 5% of accounts receivable. If the accounts receivable balance was FRW 600,000 at the end of 31st December 2023 and the closing balance for bad debt of FRW100,000.

What amount should be set aside as an allowance for irrecoverable debts?

- A FRW 30,000
- B FRW 25,000

- C FRW 23,810
- D FRW 35,000

(2 Marks)

QUESTION 49

What does the term “net pay” refer to in payroll processing?

- A The total amount an employee earns before deductions
- B The amount an employee receives after deductions
- C The additional payments made to employees for exceptional performance
- D The total cost incurred by the employer for hiring an employee

(2 Marks)

QUESTION 50

What is the first step in applying controls over payments on authorizing and making payments?

- A Reviewing payment requests
- B Approving payment requests
- C Initiating payment requests
- D Recording payment requests

(2 Marks)

End of Question Paper

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