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**CERTIFIED ACCOUNTING TECHNICIAN**

**STAGE 1 EXAMINATION**

**S.1.1: RECORDING FINANCIAL TRANSACTIONS**

**DATE: TUESDAY 28, MAY 2024**

**MARKING GUIDE AND MODEL ANSWER**

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Question	Answer	Question	Answer
1	B	26	A
2	C	27	D
3	A	28	B
4	C	29	A
5	C	30	C
6	A	31	C
7	A	32	C
8	D	33	B
9	A	34	B
10	B	35	C
11	A	36	D
12	C	37	A
13	A	38	D
14	<b>B</b>	39	B
15	D	40	B
16	B	41	D
17	B	42	D
18	A	43	D
19	A	44	D
20	D	45	B
21	B	46	D
22	C	47	C
23	D	48	C
24	C	49	A
25	D	50	C

## **QUESTION ONE**

### **The correct Answer is B**

Payroll accounting is accounted for using the double entry bookkeeping system. Payroll transactions recorded using the wages control account as a credit entry.

All the other options are not correct since they advocate for single entry which is not possible in accounting.

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## **QUESTION TWO**

### **The correct answer is C**

An aged receivables analysis provides a guide as to whether the business' debts are being collected at the appropriate time. This is in turn is useful to the credit control for collection of receivables and chased of amounts outstanding longer than the agreed credit period.

Aged receivables analysis may assist management in options A and B but it is not the main purpose of trade receivables.

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## **QUESTION THREE**

### **The correct answer is A**

A remittance advice is a document that describes payments that are being made, especially the part of the invoice that the customer sends back with payment, it normally contains: full name and address of the Payer and payee The invoice number and invoice amount and amount to be paid, The invoice date and date of payment.

B is not correct since it is a negotiable instrument instructing a financial institution to pay a specific amount of a specific currency from a specified transactional account held in the drawer's name with that institution.it does not include invoice information.

C Bank Reconciliation statement is not correct since it is a document prepared by a company that shows its recorded bank account balance matches the balance the bank lists.

D Purchase order is not correct since it is a commercial source document issued when placing an order with vendors or suppliers.

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## QUESTION FOUR

**The correct answer is C**

RWF 12,500- RWF 10,000= **RWF 2,500** will increase owners 'equity

- A. Is not correct, RWF 10,000 is the purchase cost
- B. Is not correct, RWF 12,500 is the selling price
- D. Is not correct because C is the only correct answer from the above responses

Calculation of the best answer:

Purchase cost: RWF 10,000

Sale value: RWF 12,500

Profit: RWF 12,500- RWF 10,000= RWF 2,500

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## QUESTION FIVE

**The correct answer is C**

A Invoice, goods received note, delivery note, credit note. – This comprises mainly of a list of internal documents, but delivery note is an external document. Credit note can be both internal and external.

B Quotation, acknowledgement, letter of inquiry, letter of acceptance. – these are all external documents.

D Police letter, national Identity card, audit report, driver's license. – This consists of a list of other documents other than business documentations.

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**Question SIX**

		<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
	Trade discount	FRW	FRW	FRW	FRW
Prurchase		4,500,000	4,500,000	4,500,000	4,500,000
Less: Trade discount (5%)	(4,500,000X5%)	- 225,000	225,000	- 225,000	- 225,000
Less: cash discount (5%)	((4,500,000-225,000)X2%)			- 85,500	
Less: Credit note value		- 850,000	850,000		850,000
Payable amount		3,425,000	5,575,000	4,189,500	5,125,000
Explanation		Right answer - Gasana took items more than FRW500,000, hence obtaining a trade discount and on return of the items, his balance should be reduced by the value of goods returned	Wrong answer - discounts reduce the balance to be paid and not increasing them.	Wrong answer - Gasana is not yet eligible for the cash discount since he hasn't yet paid his due ammount and goods returned should reduce the balance he owes Niyonzima. discounts reduce the balance to be paid and not increasing them.	Wrong answer - a credit note issued reduces the balance owing and not increasing it.

## QUESTION SEVEN

The correct answer is A

B, C and D are deducted on employees' salaries, therefore are not correct answers.

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## QUESTION EIGHT

The correct answer is D

Overall list amount	66,900
Less non cashbook item:	
Credit sales	2,000
Depreciation	700
<b>Real cashbook item balance list</b>	<b>64,200</b>

### Wrong calculations:

A is not correct since it includes all transactions even those ones that are not in cashbook

Balance	66,900
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B is not correct since its calculation includes Bank charges

Overall list	66,900
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Less

Credit sales	2,000
Bank charges	500
Depreciation	700

Balance	63,700
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C is not correct since its calculation includes Bank charges and cash sales

Overall list	66,900
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Less

Credit sales	2,000
Bank charges	500
Depreciation	700
Cash Sales	4,000

Balance	59,700
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## QUESTION NINE

**The correct answer is A**

Cash is withdrawn from the bank for personal use is the best answer. Once it withdrawn for personal use, cash will not enter into cash book.

B Is not correct since Cash deposited to bank affects both of cash and bank columns in cash book.

C Is not correct since Cash withdrawn from the bank affects both of cash and bank columns in cash book.

D Is not correct since it considers wrong answers (B and C).

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## QUESTION 10

**The correct answer is B.**

An asset purchase has been debited to an expense account, which is an error of principle.

A is incorrect because this is error of commission.

C is incorrect because this is a correct entry.

D is incorrect because this is an error of original entry.

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## QUESTION 11

**The correct answer is A.**

Posting to the wrong side of the account will affect the trial balance. The posting to discounts received should be a credit, not a debit, so the difference is FRW **40,000 \*2**.

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## QUESTION 12

**The correct answer is C**

(Dr: Purchases FRW 1,200,000, Cr: Trade payable FRW 1,200.000)

A: is not correct – Discount received is only recognized when received.

B: is not correct – Purchases are never recognized net of cash discount.

D: is not correct – Discount allowed relates to sales not purchases.

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### QUESTION 13

**The correct answer is A**

Generally, Discount is issued to boost sales

B: not correct -To comply with local tax regulations cannot be the reason of discount issuance.

C: is not correct – To evade tax can't be a reason of giving a discount.

D: is not correct – because it is considering wrong answers.

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### QUESTION 14

**B is a correct answer** because a duplicated payment results into an additional debit that will be posted to the supplier's account.

A. is incorrect because this would mean that a liability remains and credit balances will be higher.

C. is incorrect because Trade discounts are not entered in the payable's ledger accounts at all, invoices received are posted net of trade discount.

D. is incorrect because this will result in an excess credit balance.

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### QUESTION 15

**The correct answer is D;** a purchase return should be a credit posting so the effect will be doubled. The fact that it has been posted to the wrong account does not create an imbalance. C is incorrect because it is a reverse of D while B and A, they contradict the answer in D.

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### QUESTION 16

**The correct answer is B.**

A Would mean the account had a debit balance, which would be unusual.

C means that the Payment is made for 'cash' purchases at the point of purchase and therefore this transaction is not recorded in the payables control account. D Would be recorded in the receivables' ledger control account.

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### QUESTION 17

**The correct answer is B.** Note that the bank statement shows an overdrawn balance. The bank account in the general ledger should have a debit balance, the above outstanding deposits will bring cash account into agreement with the bank statement.

**A, C and D** are incorrect because none justifies the difference between the cashbook and bank statement.

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### QUESTION 18

**The correct answer is A**

A bank overdraft is a current liability. The bank may require it to be settled in less than 1 year from the financial statements period end.

- B Prepaid salaries-is an asset.
  - C Depreciation-is an expense.
  - D Receivables-is an asset.
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### QUESTION 19

**The correct answer is A**

Cash is withdrawn from the bank for personal use is the best answer. Once it withdrawn for personal use, cash will not enter into cash book.

- B Is not correct since Cash deposited to bank affects both of cash and bank columns in cash book.
  - C Is not correct since Cash withdrawn from the bank affects both of cash and bank columns in cash book.
  - D Is not correct since it considers wrong answers (B and C).
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## QUESTION 20

**The correct answer is D**

There is no change in the Total Assets, here Car/Moto vehicle account will be reduced but bank account will be increased, it is why it is the correct answer. When fixed assets are sold for book value, there will be no change in the total assets.

**A, B and C** are not correct

A The Total Assets will increase: Assets will increase only on side of Bank, but car/multivehicle will be reduced.

B The Total Liabilities will increase: No related liabilities as per scenario.

C The Total Assets will decrease: Assets will decrease only on car/motor vehicle account but Bank will be increased to make a net off movement.

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## QUESTION 21

**The correct answer is B.**

Because purchases invoices are recorded in purchase daybook.

A. is incorrect because Sales returns daybook records sales credit notes and sales invoices.

C. is incorrect because Cash received daybook records cash receipts.

D. is incorrect because the purchase returns day book records credit notes received (Returns outwards).

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## QUESTION 22

**The correct answer is C**

According to the double entry concept, every transaction has two accounting entries, a debit and a credit. The below entries imply that the buildings account is increasing while the bank account is decreasing by the same amount.

**Dr.** Buildings 200 million, **Cr.** Bank 200 million

A. is incorrect because building account increases on debit side like other assets

B. is incorrect because it contradicts the double entry concept

D is incorrect because the bank decreases on credit side

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## QUESTION 23

**The correct answer is D**

The statement in alternative (D) is incorrect because, withdrawal of goods by the proprietor of the business should be debited to Drawings Accounts and credited to Purchases Account and not credited to Capital Account and is the false statement and **is the correct answer.**

Wages paid on installation of machinery should be credited to Cash Account and debited to Machinery Account (a);

A sale of computer that has been used in the business should be debited to Cash Account and credited to Office Equipment Account (b);

Repairs of a machinery purchased, second hand, should be debited to Machinery Account (c) **are the correct statements and not the correct answers.**

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## QUESTION 24

**The correct answer is C**

The government of Rwanda through official gazette n° 11 bis of 16/03/2015 launched a law n° 02/2015 of 25/02/2015 modifying and complementing law n° 37/2012 of 09/11/2012 related to value added tax.

A. Income or corporation tax is payable by a business upon its taxable profits.

B. The government administer VAT but the collection work is done by VAT registered traders who must pay over any VAT due to the government?

D. VAT is not a tax levied on salaries earned by employees.

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## QUESTION 25

**The correct answer is D**, the debt may not be collected in full and the delay might be lengthy.

A is incorrect because debt recovery should continue until the prospect of a receipt disappears, provided the outstanding amount is worth recovering.

B is incorrect because the dispute must be resolved.

C is incorrect because if the credit limit was exceeded, the sales should not have been made and the debt remains collectable.

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## QUESTION 26

**The correct answer is A** because payables have to be decreased by the amount of overstatement and repair and maintenance account has to decrease by the same amount.

- B.** is incorrect because our transaction does not involve cash
  - C.** is incorrect because our transaction does not involve cash and VAT
  - D.** is incorrect because it can result into duplication on the same invoice
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## QUESTION 27

**The correct answer is D**

- A** Inventory bought last month and not paid for – Inventory is an asset whether paid for or not.
  - B** Trade receivables of FRW 2,000,000. – Receivables are an asset (current asset)
  - C** Drawing – These are appropriations by the owner from the business for personal use, recognized as expenditures.
  - D** A bank overdraft taken on 1<sup>st</sup> December 2022. – This is a current liability, hence a liability
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**QUESTION 28**

**Correct answer is B**

<b>Question 28</b>				
	<b>B</b>	<b>A</b>	<b>C</b>	<b>D</b>
Fifty FRW 5,000 notes	250,000	250,000	250,000	250,000
Sixty FRW 2,000 notes	120,000	120,000	120,000	120,000
Ninety FRW 1,000 notes	90,000	90,000	90,000	90,000
Seventy-two FRW 500 notes	36,000	36,000	36,000	36,000
Nine bags of (30's) - 100franc coins	27,000	900	27,000	3,000
Three bags of (10's) - 50franc coins	1,500	150	1,500	500
Two bags of (50's) - 20franc coins	2,000	40	2,000	1,000
Other silver coins worth FRW 22,800	22,800	22,800	22,800	22,800
<b>Total</b>	<b>549,300</b>	<b>519,890</b>	<b>549,300</b>	<b>523,300</b>
A - Coins were not calculated by the numbers per bag				
<b>B - Right answer</b>				
C - Figure not presented in tens				
D - Coins value should include the number of bags				

## QUESTION 29

**The correct answer is A**

A credit card is the most appropriate payment method. It is an electronic method, therefore can be used for payment over the internet. Credit cards offer security to their customers for items purchased.

B. Debit card -Banks do not offer compensation for debit card payments.

C. A cheque -There will be a delay in a cheque reaching the supplier and if the supplier were not to send the goods on receipt of the cheque, the bank would not offer compensation.

D. Cash -Cash cannot be used for internet payments.

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## QUESTION 30

**The correct answer is C**

At the end of the period, he is given cash equal to the amount spent during the relevant period, if this adjusting entry is not made, the cash balance in the main cash book is overstated to the extent of the expenses routed through the petty cash book and the expenses are unstated. therefore, **C** is the best answer

A. is not correct because returning cash account to the company's cashier is not justifying the scenario

B. is not correct because Expenses are not overstated and Cash is not understated

D is not correct because expenses are over overstated as per scenario

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## QUESTION 31

**The correct answer is C as all the other are usefulness of control account**

A. Identify errors in the receivables and payable ledgers. - it's one of their purpose

B. Checking the accuracy of entries in the personal accounts. - it's one of their purpose

D. Provide an internal check on total of receivables and payables ledgers at any time. - it's one of their purpose

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### QUESTION 32

**The correct answer is C**

The periodical total of discount column on receipts side of a Triple Column Cash Book is recorded to **the debit side of Discount Account**. Receipts side of a Triple Column Cash Book indicates the debit side and the debit in case of a Nominal Account is an expenditure and the discount entered on the receipt side of Triple Column Cash Book indicates the discount allowed and posted to the debit side of the Discount Account in the ledger. Thus, (C) is the correct answer.

Since it is not an income it is not credited to Discount Account and alternative (A) is not the correct answer. It is not the discount to be credited to provision for Discount Account on debtors (B) and it is not the correct answer. The periodical total is not credited to Debtor's Account as only the individual amount of discount is credited to respective Debtor's Account and not the periodical total is credited to Debtor's Account and alternative (D) is not the correct answer. Thus, alternative (C) is the correct answer.

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### QUESTION 33

**The correct answer is B**

If the owner withdraws goods from the business, journal entry will be Dr. Drawings Account and Cr Purchase Account

Other options, given in (A), (C) and (D), relating to drawings are not correct.

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### QUESTION 34

Correct answer is B

Receivables Leger Contro Account			
	FRW		FRW
balance b/fwd	200,000		
Credit sales	185,000	Bad debts	8,000
		Contra	3,500
		Sales returns	245,000
		Discount Allowed	12,500
		Receipts from credit custome	13,600
		Balance C/fwd	102,400
	<u>385,000</u>		<u>385,000</u>

- A - That's a closing balance without adjusting for errors  
B - Right answer  
C - ommitted the contra entries against payables, they reduce receivable balance, hence a credit entry required  
D - That's the b/fwd balance before adjusting for any errors

### QUESTION 35

Correct answer is C

- A FRW 377,000 – A trial balance has a debit and credit side not a total of all  
B FRW 97,500 – it's not only equity  
C FRW 188,500 – Assets and Expenses have debit balances, Liabilities, equity and sales have credit balances  
D FRW 211,800 - it's not balance sheet elements



### QUESTION 36

**The correct answer is D**

All statements are true about a good coding system for financial transactions.

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### QUESTION 37

**The correct answer is A**, Sales invoices are recorded in sales day book.

**B.** is incorrect because Cashbook's records cheques paid and received

**C.** is incorrect because Purchase Day book records purchase invoices and purchase credit notes

**D.** Journal vouchers are not among the books of prime entry, they are source documents

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### QUESTION 38

**The correct answer is D**, hire purchase payments and credit purchases are not paid in cash as they involve a bigger amount. (ii) and (iv) are incorrect.

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### QUESTION 39

**The correct answer is B**

All the other options are credit entries

**A.** It records a decrease in assets, it is credit entry

**C.** It records a sale, it is credit entry

**D.** It records an increase in the liabilities of a business, it is credit entry

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### QUESTION 40

**The correct answer B**

A duplicate payment of a supplier's account, and additional debit will create a debit balance on an account in the payable's ledger

**A** -This would mean that a liability remains and credit balances will be higher.

**C** -Trade discounts are not entered in the payable's ledger accounts at all; invoices received are posted net of trade discount.

**D** -This will result in an excess credit balance.

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**QUESTION 41**

**Correct answer is D**

Question 41	C	A	B	D
Bank overdraft		-	-	- 3,110
	3,110	3,110	3,110	
Add: deposits not credited	15,200	15,200	15,200	15,200
	18,310	12,090	12,090	12,090
Less: outstanding cheques	9,800	9,800	- 9,800	- 9,800
Add: Bank error	3,300	3,300	3,300	3,300
Overdraft per cash book	31,410	25,190	5,590	<b>5,590</b>
	cash in bank	cash in bank	overdrawn	
	Overdrawn bank balance and outstanding checks should reduce bank balances, therefore recognized as negatives	Outstanding cheques should reduce bank balances		cash in bank
				Correct answer

## QUESTION 42

**The correct answer is D.** The reasons for refusing authorization are as follows.

- (i) The cost of an employee's daily travel to work is not an expense of the business.
  - (ii) This request exceeds the RWF25,000 limit applying to petty cash disbursements; the bill will be paid from the main bank account.
  - (iii) No receipt will be available and the request should therefore be referred to the Administration Manager.
  - (iv) The sum exceeds the RWF20,000 authorization limit and should be referred to the Administration Manager.
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## QUESTION 43

**The correct answer is D,**

A petty cash voucher. Evidence of expenditure, for example, a train ticket, will normally be attached to the voucher. The answer in A, B and C contradicts this answer.

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## QUESTION 44

**The correct answer is D**

The correct entry is: D (Dr Cash RWF12,921 Cr Sales RWF10,950 Cr VAT RWF1,971)

Dr Cash RWF12,921 (Gross amount, being RWF10,950 plus RWF1,971)

Cr Sales RWF10,950 (total of the net amounts)

Cr VAT RWF1,971 (total of the VAT amounts)

A, B, C are not correct due to wrong amount used while recording.

A. is not correct-because sales are increases on credit side not debit side and cash shouldn't be credited.

B. is not correct-because VAT should be credited and wrong cash recognition.

C. is not correct-because cash shouldn't be credited.

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## QUESTION 45

**The correct answer is B**

This correctly records the purchase invoice postings.

A -is not correct-Sales invoices would be recorded in the sales day book. Credit notes would be recorded in the sales return's day book.

C -is not correct -Cash received would be posted to the general ledger cash account, not the journal.

D -Adjustments are recorded in the journal not the cash book.

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## QUESTION 46

**The correct answer is D**

A Bank errors, cashbook errors and timing differences. - Other than timing differences, others within the list are simply differences between cashbook and bank statement balances.

B Omissions, dishonored cheques and cut off transactions. - Cut off transactions can ideally mean timing differences and omissions, which are the categories needed, but dishonored cheques are not.

C Unpresented cheques, uncredited cheques, bank charges, direct debits, direct credits & dishonored cheques. – These refer to the individual differences between cash book and bank statement balances.

D Errors, omissions and timing differences. – this is correct, some differences arise from errors, others from differences in timing as at the reconciliation date whereas others are omissions i.e., items not recorded at all.

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## QUESTION 47

**The correct answer is C,** The Journal records adjustments and get summarized and posted to the general ledger.

A. is incorrect because Sales Daybook records sales invoices and get summarized to the receivable ledger.

B. is incorrect because Purchase daybook records purchase invoices and get summarized to the payables' ledger.

D. is incorrect because Petty cash book records notes and coins paid and received and get summarized and posted to the general ledger.

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### QUESTION 48

The correct answer is C, the account below rejects the answer in A, B and D basing on calculations.

<b>SUSPENSE ACCOUNT</b>			
	<b>FRW</b>		<b>FRW</b>
Balance b/d	109,254	Sundry receipt	45,864
		Sales invoice adjustment	36,400
		Balance c/f	26,990
	<b>109,254</b>		<b>109,254</b>

### QUESTION 49

The correct answer is A

Employer's benefit contributions and employer's pension contributions form part of the overall cost of staff to the business.

The total debited to staff costs is therefore RWF25,500,000 + RWF1,800,000 + RWF1,200,000= RWF28,500,000.

B is not correct-(25,500+1,800=27,300) because it is not considering Employer's pension contribution.

C is not correct -(25,500+1,200=26,700) because it is not considering Employer's social security contribution

D is not correct- because it is considering only Gross wages.

### QUESTION 50

The correct answer is C

A revenue expenditure is an expenditure whose benefit expires within the current accounting period and is in the nature of recurring and is therefore written off to P&L A/c.

Sales tax paid in connection with the purchase of office equipment is a non-recurring expenditure whose benefit is going to last for more than one accounting period and hence not a revenue expenditure.

A, B and D are treated as revenue expenditure and consequently are not correct answers.