CERTIFIED ACCOUNTING TECHNICIAN

STAGE 1 EXAMINATION

S.1.1: RECORDING FINANCIAL TRANSACTIONS

DATE: AUGUST 2025

MARKING GUIDE AND MODEL ANSWERS

Marking guide

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

Model Answers

QUESTION ONE

The correct answer is B

The petty cash voucher is used to maintain a record of expenses in a small business or organization. This helps in managing the petty cash fund and ensures that transactions are properly documented.

The others aren't purpose of a petty cash voucher.

Option A - Record Transactions Involving Large Amounts of Cash

This option is incorrect because petty cash vouchers are designed to handle smaller transactions, not large amounts of cash. The purpose of a petty cash voucher is to manage and keep track of minor financial transactions, such as purchasing office supplies, reimbursing employees for minor expenses, or making small payments to external vendors.

Option C - To monitor the income generated from sales.

This option is incorrect becuase the purpose of a petty cash voucher is not to monitor the income generated from sales but to manage the petty cash fund, ensure that it is used appropriately, and maintain accurate financial records.

Option D - Maintain a Record of Invoices and Credit Notes

This option is incorrect because petty cash vouchers are not meant for recording invoices and credit notes. These financial documents are typically used for tracking sales and purchases between businesses, while petty cash vouchers focus on managing smaller transactions within the organization.

QUESTION TWO

The correct answer is B

Including Customer Information: It is essential to include detailed customer information in the daybook. This may involve recording the customer's name, address, contact details, and any other relevant information that can help in identifying and communicating with the customer.

Options A, C, and D are not correct answers

The option mentioned as incorrect, i.e.,(A) Recording purchase details, issuing payment receipts (C) and tracking supplier invoices (D), are not steps involved in entering transactions in the Sales Returns Daybook. Instead, issuing payment receipts is related to the Cash Book or General Ledger, and tracking supplier invoices is related to the Purchase Daybook.

QUESTION THREE

The correct answer is B

The Purchase Day Book serves as a fundamental tool for recording and tracking all purchase transactions within a company. Its accurate maintenance is crucial for effective financial management, compliance with regulations, and the preparation of reliable financial statements.

A, C, and D Are Not Correct Answers

A) To record all sales transactions of a company - The Purchase Day Book does not record sales transactions. Sales transactions are typically documented in the Sales Day Book or Sales Journal.

C) To record all bank transactions of a company - The Purchase Day Book is not the appropriate place to record bank transactions. Bank transactions are usually recorded in the company's bank reconciliation statement or bank register.

D) To record all investments of a company - The Purchase Day Book is not used to record investments. Investments are typically recorded in the investment account or investment journal.

QUESTION FOUR

The correct answer is D

This step that is NOT involved in entering transactions in the cashbook is **ignoring bank transactions**. Ignoring bank transactions would lead to incomplete and inaccurate financial records, compromising the integrity of the cashbook. All bank transactions should be diligently recorded and reconciled to maintain accurate financial records.

Options A, B, and C are not correct answers.

When entering transactions in the cashbook, it is important to follow a systematic approach that includes A) Recording transaction dates,

B) Posting entries to the general ledger

C) Balancing the cashbook at regular intervals.

QUESTION FIVE

The correct answer is C

Periodically, the petty cash balance should be reconciled with the bank statement to ensure that the cash balance is accurate. This involves comparing the petty cash balance with the balance shown on the bank statement and identifying any discrepancies. If discrepancies are found, they should be investigated and corrected accordingly.

The petty cash book is used to record small, miscellaneous expenses, and these transactions are typically not posted directly to the financial statements. Instead, they are summarized and then posted to the appropriate accounts in the general ledger.

A, B, and D are Not Correct Answers

A. Receiving customer payments Entering transactions in a petty cash book does not involve receiving customer payments. Petty cash is used for small, everyday expenses such as office supplies, postage, or employee reimbursements. It is not related to receiving payments from customers.

B. Recording transactions without analyzing expenditures This answer is incorrect because entering transactions in a petty cash book involves analyzing expenditures. When recording transactions in the petty cash book, it is essential to categorize and analyze the expenses to ensure accurate accounting and financial reporting.

D. Posting transactions directly to financial statements Posting transactions directly to financial statements is not a step involved in entering transactions in a petty cash book.

QUESTION SIX

The correct answer is D

In the double entry bookkeeping system, every transaction is recorded in at least two accounts, with one account debited and another credited.

The reason why A, B, and C are not correct answers is that they incorrectly reverse the roles of debits and credits for assets and liabilities. This reversal leads to confusion and can result in inaccurate financial reporting

A. Assets are increased with debit entries, and liabilities are increased with credit entries.

This statement is incorrect because it reverses the roles of debits and credits for assets and liabilities.

B. Assets are increased with credit entries, and liabilities are increased with debit entries.

This statement is also incorrect for the same reason as the previous statement.

C. Assets are increased with credit entries, and liabilities are increased with debit entries.

QUESTION SEVEN

The correct answer is D

This entry reflects the increase in the company's cash balance and recognizes the revenue earned from providing services.

Both options A, This transaction isn't adheres to the principles of double-entry bookkeeping, ensuring that the financial records of the company are accurate and consistent while B and C are incorrect because they involve debiting Cash (asset) and crediting Services Rendered (expense), which would result in an incorrect representation of the transaction. Debiting Cash (asset) would decrease the company's cash balance, while crediting Services Rendered (expense) would decrease the company's revenue

QUESTION EIGHT

The correct answer is D

All transactions have been recorded and analyzed, financial statements are prepared to summarize the company's financial position and performance over a specific period. These statements typically include the balance sheet, income statement, and cash flow statement.

it is not a direct step in processing individual financial transactions within the double entry bookkeeping system

all of the listed steps (A - Identify the transaction type; B - Record the transaction in the book of prime entry; C - Analyze the transaction) are essential components of processing financial transactions within the double entry bookkeeping system. Each step contributes to maintaining accurate and reliable financial records and ensuring that financial statements accurately reflect a company's financial position and performance.

QUESTION NINE

The correct answer is A

Bulk discounts provide an incentive for customers to buy more products, leading to increased sales and profitability for the seller. By reducing the per-unit cost when customers purchase in larger quantities, businesses can encourage buyers to take advantage of the discount and buy more items than they might have otherwise. This can lead to higher customer satisfaction and increased customer loyalty, as buyers feel they are receiving a good deal on the products they purchase.

B, C, and D are Incorrect Answers

B. **To reduce the seller's inventory**: While offering bulk discounts may indirectly contribute to reducing inventory levels by encouraging higher sales, the primary purpose of bulk discounts is not specifically aimed at reducing inventory. The main goal is to drive sales by appealing to customers' desire for cost savings on larger purchases.

C. **To increase the seller's storage space**: Offering bulk discounts does not directly relate to increasing storage space. While higher sales resulting from bulk discounts may necessitate adequate storage space, the primary objective of bulk discounts is not to increase storage capacity but rather to drive sales.

D. **To lower the buyer's shipping costs**: While it is true that larger orders may result in lower shipping costs per unit, the primary purpose of offering bulk discounts is not specifically aimed at lowering shipping costs for buyers. The main focus is on stimulating higher purchase volumes through cost incentives.

QUES TION 10

The correct answer is A

The main difference between a settlement and a trade is that a settlement is a mutual agreement to resolve a dispute, while a trade involves the exchange of goods or services. This distinction is crucial to understanding the unique characteristics and purposes of each concept.

B, C, and D are Incorrect Answers

B) A settlement is a financial transaction, while a trade is a pricing strategy.

While it is true that some settlements may involve financial transactions, not all settlements are limited to this context. Settlements can also be non-financial, such as agreements to modify contracts or change the terms of a relationship. Similarly, while trades can involve pricing strategies, they are not limited to this aspect. Pricing strategies can include setting the price of goods or services, offering discounts, or creating promotional campaigns.

C) A settlement is a type of trade, while a trade is a type of settlement.

These statements are incorrect. As explained above, a settlement is a mutual agreement to resolve a dispute, while a trade involves the exchange of goods or services. They are distinct concepts with different purposes and contexts.

D) Both settlements and trades involve the exchange of goods or services.

This statement is only partially correct. While trades do involve the exchange of goods or services, settlements do not necessarily involve any exchange of goods or services. Settlements can be financial or non-financial, whereas trades are always focused on the exchange of resources.

QUESTION 11
The correct answer is B

RWF100,000-(FRW100,000*3%=RWF97,000

VAT: RWF 97,000*18%=RWF 17,460
A, C, and D are incorrect answers.
A. FRW 21,000, – (FRW 100,000*18/%)+3%*FRW 100,000)This answer is incorrect because the settlement discount of 3% should be applied to the list price, not the VAT.
C. FRW 18,000 – FRW 100,000*18%This answer is incorrect because it does not consider the settlement discount.
D. FRW 14,797 – (FRW 100,000*97%) *18/118 This answer is incorrect because it does consider the settlement discount and overestimates the VAT charged on the product.

QUESTION 12
The correct answer is C
The timing of the settlement discount application can also influence its relationship with VAT. In some jurisdictions, the timing of when the settlement discount is applied may affect how it is treated for VAT purposes. Understanding when the discount is applied and how it impacts invoicing and tax reporting is important in determining its relationship with VAT.
A) The gross price of the goods or services is not the main factor to consider when determining the relationship between settlement discount and VAT. While it is an essential factor to consider, the specific rules and regulations of the jurisdiction are the primary determinant of the relationship between the two.
B) The specific rules and regulations of the jurisdiction are not the main factor to consider when determining the relationship between settlement discount and VAT. Although it is the most important factor, it is still essential to consider the gross price of the goods or services, the timing of the settlement discount application, and the type of goods or services being purchased.
D) The type of goods or services being purchased is not the main factor to consider when determining the relationship between settlement discount and VAT. While it can impact the relationship between the two factors, the specific rules and regulations of the jurisdiction are the primary determinants of how settlement discounts and VAT are applied.

QUESTION 13
The correct answer is D

A) Detection of Errors in Financial Statements: Reconciling sales and purchase ledger control accounts regularly helps in identifying discrepancies between the recorded transactions and the actual financial position of the company. This process ensures that the financial statements accurately reflect the true financial health of the organization. By detecting errors in financial statements, businesses can make informed decisions and take corrective actions to improve their financial position.

B) Maintaining Good Relationships with Vendors: Maintaining a healthy relationship with vendors is essential for any business, as they play a crucial role in the supply chain. Reconciling purchase ledger control accounts helps businesses keep track of their payments to vendors and ensure that they are up to date with their financial obligations. This process also helps in identifying any potential issues with suppliers, such as delays in delivery or discrepancies in invoicing. By addressing these issues promptly, businesses can maintain good relationships with their vendors, ensuring a smooth flow of goods and services.

C) Managing Cash Flow Effectively: Effective cash flow management is crucial for any business's success. Reconciling sales and purchase ledger control accounts regularly helps businesses keep track of their cash flow and identify any potential issues that may affect their financial stability. By staying on top of their cash flow, businesses can make informed decisions regarding their financial planning and ensure that they have adequate cash reserves to meet their financial obligations.

QUESTION 14
The correct answer is B.

Debit "Petty Cash," Credit "Employee's Reimbursement" because when an employee is reimbursed for petty cash expenditures, the company is essentially paying the employee back for the money they spent from the petty cash fund. This transaction involves a debit to the "Petty Cash" account, as the balance of the petty cash fund is decreased, and a credit to the "Employee's Reimbursement" account, as the employee is being paid back for the expenses incurred.

Options A, C, and D are incorrect because they do not accurately represent the transaction of reimbursing the petty cash expenditure:

A) Debit "Employee's Expenses," Credit "Petty Cash" - This option is incorrect because it does not accurately represent the transaction of reimbursing the petty cash expenditure. Instead, it records the employee's expenses, which is not the same as reimbursing the petty cash.

C) Debit "Petty Cash," Credit "Employee's Expenses" - This option is also incorrect because it records a transaction where the petty cash is being debited, which is not the case when reimbursing the petty cash expenditure. Instead, the employee's expenses should be debited.

D) Debit "Employee's Reimbursement," Credit "Petty Cash" - This option is incorrect because it does not accurately represent the transaction of reimbursing the petty cash expenditure. Instead, it records the employee's reimbursement, which is not the same as reimbursing the petty cash.

QUESTION 15

The correct answer is A

RWF 18,000 Explanation: Using the VAT formula, VAT = (RWF100,000) x (18%) / 100 = RWF 18,000.

The question seems to present four possible answers (B, C, and D) that are not correct. Here is a brief explanation for each of them:

B) This answer is incorrect because it does not provide the correct VAT amount. The correct VAT amount, as calculated above, is RWF VAT: FRW 100,00*18/118=FRW 15,254.

C) This answer is incorrect because it does not provide the correct VAT amount. The correct VAT amount, as calculated above, is RWF 100,000-FRW15,254=FRW84,746.

D) This answer is incorrect because it does not provide the correct VAT amount. The correct VAT amount, as calculated above, is RWF100,000-FRW 18,000=82,000.

QUESTION 16

The correct answer is A

To prepare financial statements for external reporting, a trial balance is often used as a starting Explanation: Using the settlement discount formula, Settlement Discount

= (RWF 1,000,000) x 3% = RWF 30,000. If the company pays the invoice early, they will save RWF 30,000.

It is not clear what options A, B, and D refer to, but we can provide a general explanation as to why they might not be correct answers.

A) If option C is a different discount percentage, the savings amount would be different. The calculation would need to be recalculated using the given discount percentage.

B) If option B is a different number of days to pay, the discount percentage might change. Companies often offer a lower discount percentage for a shorter payment window. So, if the payment window is different, the discount percentage and the calculation would need to be adjusted accordingly.

D) If option D is a different invoice amount, the savings amount would be different. The calculation would need to be recalculated using the given discount percentage and the new invoice amount.

QUESTION 17

The correct answer is B

Settlement discount is a discount offered by a seller to a buyer for early payment of an invoice. The calculation of a settlement discount involves multiplying the original price by the settlement discount percentage. This is represented by the formula:

Settlement Discount = Original Price × Settlement Discount Percentage

A, C, and D, are not the correct answers.

Option A: Adding the settlement discount percentage to the price Adding the settlement discount percentage to the price would not result in the correct discounted amount. Instead, it would increase the price, which is counterintuitive to the concept of a discount.

Option C: Multiplying the original price by the settlement discount percentage Multiplying the original price by the settlement discount percentage would also result in an incorrect calculation. The multiplication operation would yield an incorrect value as it would not represent the actual reduction in the price.

Option D: Dividing the price by the settlement discount percentage Dividing the price by the settlement discount percentage would also lead to an incorrect calculation. This operation would not accurately represent the reduction in the price and would not provide the correct discounted amount.

QUESTION 18

The correct answer is B

In accounting, a contra entry refers to an entry that reverses a previously recorded transaction. This type of entry is used to correct errors or adjust for specific circumstances, such as reversing an incorrect entry or adjusting for an overstatement or understatement of certain accounts.

A, C, and D, are not the correct answers for a "contra entry" in accounting.

A contra entry in accounting is an entry that **reverses a previously recorded transaction**. It is used to correct errors or to adjust for specific circumstances.

Option A, which states that a contra entry is an entry that is recorded twice in different accounts, is incorrect. This definition does not accurately describe a contra entry.

Option C, which suggests that a contra entry adjusts for accrued expenses, is also incorrect. Accrued expenses are typically adjusted through different types of entries, such as adjusting entries, rather than contra entries.

Option D, which states that a contra entry corrects an error in a previous entry, is partially correct but not the best description of a contra entry. While contra entries can be used to correct errors, their primary purpose is to reverse previously recorded transactions.

QUESTION 19

The correct answer is D

A Delivery Note is a document provided by the supplier that details the products or services delivered, the quantity, and any damages or shortages. While it is an important document for checking the accuracy of supplier invoices and credit notes, it is not a primary financial document like an Invoice, Purchase Order, or Balance Sheet.

we will discuss the primary financial documents in accounting and explain why Invoice, Purchase Order, and Balance Sheet are not the correct answer to the question.

A) Invoice

An invoice is a financial document that businesses send to their customers to request payment for goods or services provided. It typically includes information such as the date of the invoice, the invoice number, the name and address of the seller, the name and address of the buyer, a description of the goods or services provided, the price of each item, and any applicable taxes. Although invoices are important for businesses to manage their accounts receivable, they are not primary financial documents in the context of accounting.

B) Purchase Order

A purchase order is a financial document that businesses send to their suppliers to request the purchase of goods or services. It typically includes information such as the date of the purchase order, the purchase order number, the name and address of the buyer, the name and address of the seller, a description of the goods or services to be purchased, the price of each item, and any applicable taxes. Although purchase orders are essential for managing accounts payable and ensuring that businesses receive the goods or services they need, they are not primary financial documents in the context of accounting.

B) Balance Sheet

A balance sheet is a primary financial document that provides a snapshot of a company's financial position at a specific point in time. It lists the company's assets, liabilities, and owner's equity, and shows whether the company's assets are financed by debt or equity. The balance sheet equation is Assets = Liabilities + Owner's Equity, which ensures that the two sides of the balance sheet are always in balance. The balance sheet is an essential tool for businesses and investors to assess a company's financial health and make informed decisions.

QUESTION 20

The correct answer is C

calculating payments due to suppliers from relevant documentation involves verifying invoices, matching them with purchase orders, calculating outstanding balances, and creating a payment schedule based on these calculations.

A, B, and D are not the correct answer.

While options A, B, and D are important aspects of accounting processes, they do not directly align with the specific task of calculating payments due to suppliers from relevant documentation.

A. Preparing a financial statement based on historical transactions Preparing a financial statement based on historical transactions is not directly related to calculating payments due to suppliers from relevant documentation. Financial statements provide an overview of a company's financial performance and position over a specific period, including the income statement, balance sheet, and cash flow statement. While these statements may include information about accounts payable (which relates to supplier payments), the process of calculating specific payments due to suppliers involves a more detailed analysis of individual invoices and purchase orders.

B. Reconciling bank statements with general ledger accounts Reconciling bank statements with general ledger accounts is an important accounting process that ensures the accuracy of recorded transactions and balances. However, this task primarily focuses on verifying the consistency between a company's internal records (general ledger) and external financial institution records (bank statements). While discrepancies in reconciliations may uncover errors or missing transactions that could impact supplier payments, it is not the direct process of calculating payments due to suppliers from relevant documentation.

D. Preparing a budget for future financial planning Preparing a budget for future financial planning involves projecting income and expenses for a future period based on strategic goals and anticipated business activities. While budgeting includes considerations for accounts payable, it does not directly address the immediate task of calculating specific payments due to suppliers from relevant documentation.

QUESTION 21

The correct answer is B

While adjusting the accounts receivable balance in the general ledger is an important step in entering settlement discounts, it is not a necessary condition for the question to be considered correct. The other steps (identifying the discount amount and customer account, creating a journal entry, and updating the customer record) are all essential components of the process.

Let's analyze each of the options provided and determine which step is not required.

The Incorrect Step: After careful consideration, it becomes evident that **there is no incorrect step among those listed**. Each of these steps plays a vital role in accurately recording and reflecting settlement discounts in customer accounts.

A. Identify the discount amount and the customer account. This step is indeed required when entering settlement discounts to customer accounts. It is essential to identify the specific discount amount and the corresponding customer account to ensure accurate recording of the transaction.

C. Create a journal entry to record the transaction. Creating a journal entry to record the transaction is a crucial step in accurately reflecting the settlement discount in the accounting records. This step ensures that the transaction is properly documented and reflected in the company's financial statements.

D. Update the customer record with the new balance and discount amount. Updating the customer record with the new balance and discount amount is an essential step in accurately maintaining customer accounts. This ensures that the customer's account reflects the applied settlement discount and its impact on their outstanding balance.

QUESTION 22

The correct answer is C.

This option is the correct answer. As mentioned earlier, the imprest system is designed to maintain a fixed amount of cash in the petty cash box. When the fund runs low, it is necessary to request replenishment to ensure the system functions effectively.

Now, let's discuss why options A, B, and D are incorrect:

A. Whenever convenient This option is incorrect because it does not adhere to the principles of the imprest system. The imprest system requires a strict adherence to the replenishment process to maintain the fixed amount of cash in the petty cash box. Convenience is not a factor in determining when to request a replenishment.

B. Only a month-end. This option is also incorrect because it does not consider the continuous nature of the imprest system. Requesting replenishment only at month-end may not be sufficient to maintain the fixed amount of cash in the petty cash box throughout the entire month. The system requires consistent monitoring and replenishment as needed.

D. Never This option is incorrect because it contradicts the purpose of the imprest system. The imprest system requires regular monitoring and replenishment of the petty cash fund to maintain the fixed amount of cash in the box. Never requesting replenishment would lead to an ineffective imprest system.

QUESTION 23

The correct answer is B.

Cross-casting and total casting techniques help identify discrepancies and errors in financial records, ensuring the accuracy and integrity of financial statements.

Why A, C, and D are Incorrect Answers

A. To calculate the net cash flow: Cross-casting and total casting techniques are not specifically used to calculate the net cash flow. Net cash flow is typically calculated by analyzing the cash inflows and outflows over a specific period, which may involve different calculations and considerations than those involved in cross-casting and total casting.

C. To determine the opening balance of the cashbook: While cross-casting and total casting help in verifying the accuracy of the cashbook, they are not primarily used to determine the opening balance of the cashbook. The opening balance is usually carried forward from the previous accounting period or determined through other reconciliation processes.

D. To compare the balances of different accounts: Cross-casting and total casting are focused on verifying the accuracy of entries within a single account, such as a cashbook, rather than comparing balances across different accounts. Comparing balances across different accounts may involve other accounting processes such as reconciliation and analysis.

QUESTION 24

The correct answer is B

Bank reconciliation is the process of verifying the accuracy of the company's financial statements by comparing them to the bank statements. The primary purpose of bank reconciliation is to ensure that the bank's records match the company's records, which helps to prevent errors, fraud, and discrepancies in the financial statements.

A: Total = Debits + Credits This formula is incorrect because it does not provide the net balance in the cashbook account. Instead, it calculates the difference between debits and credits, which is not the desired outcome.

C: Total = Credits - Debits This formula is also incorrect for the same reason as option B. It calculates the difference between credits and debits, rather than providing the net balance in the cashbook account.

D: Total = 2 * (Debits + Credits) This formula is incorrect because it multiplies the sum of debits and credits by 2, resulting in an incorrect total. The purpose of calculating the total of a cashbook account is to obtain the net balance, not to double the sum of debits and credits.

QUESTION 25

The correct answer is B

Reconciling the cashbook is the most important step, as it ensures the cashbook balance matches the bank statement balance, helping to identify and correct any discrepancies.

A, C, and D, are not the correct answer because:

A. Gathering the necessary information.

Gathering the necessary information is an important step, but it is not the most important step in updating the cashbook. This step involves collecting the bank statement, direct debit, and standing order schedules. While this step is crucial for the process, it does not directly contribute to updating the cashbook.

C. Entering transactions into the cashbook

Entering transactions into the cashbook is a necessary step in the process, but it is not the most important step in updating the cashbook. This step involves recording transactions in the cashbook, which includes the date, description, and amount of each transaction. While this step is important, it does not directly contribute to updating the cashbook.

D. Updating the cashbook periodically.

Updating the cashbook periodically is an essential part of maintaining accurate financial records, but it is not the most important step in updating the cashbook. This step involves reviewing the cashbook regularly to ensure that all transactions are accurately recorded and reconciled with the bank statement, direct debit, and standing order schedules. While this step is important, it does not directly contribute to updating the cashbook.

QUESTION 26

The correct answer is C

Accrual accounting recognizes revenues when earned and expenses when incurred, providing a more accurate representation of a company's financial position and performance.

Why options A, B, and D are incorrect answers?

A. It simplifies the preparation of financial statements.

Incorrect Answer: The accrual accounting system is not necessarily simpler compared to the cash-based accounting system. It requires more complex record-keeping and adjustments for accrued revenues and expenses.

B. It provides a better understanding of a company's cash flow.

Incorrect Answer: While accrual accounting does provide a more accurate representation of a company's financial position, it does not necessarily give a better understanding of cash flow. Cash flow is typically better understood using cash-based accounting or cash flow statements.

D. It reduces the need for financial statement audits.

Incorrect Answer: The use of an accrual accounting system does not necessarily reduce the need for financial statement audits. Audits are conducted to ensure that financial statements are accurate and reliable, and the choice of accounting system is not a determining factor in the need for an audit.

QUESTION 27

The correct answer is A

The purpose of reconciling a bank statement is to ensure that the bank's records match the company's records.

Update cash book

19X9	RWF	19X9	RWF
31/3 Bal b/d	38960	Bank charges 280	
		ABC (standing order)	550
A Wood (credit transfer)	1890	31/3 Bal C/D	40,020
	40,850		40,850

.

Bank Reconciliation as at 31/03/20X3

	RWF
Balance at bank as per cashbook	40,020
Add: Unpresented cheques	1,170
	41,190
Less: Uncredited deposits	(6,060)
Balance at bank as per Balance Sheet	35,130
	=====

Therefore, options B, C, and D are incorrect because they do not accurately reflect the adjustments needed to reconcile the cashbook balance with the bank statement.

B) RWF 40,020 is the net total of update cash book.

C) RWF 38,960 is an opening balance.

D)None of the above is irrelevant answer.

QUESTION 28

The correct answer is B.

Bank reconciliation

The first Beginning Balance:	RWF 100,000
Outstanding Checks:	RWF 2,000
Floating Checks:	RWF 500
Deposits in Transit:	RWF 3,000
Adjusted Balance:	RWF 105,000
Discrepancies:	RWF 500
Bank Statement Ending Balance:	RWF 105,500

The reasons why options A, C, and D are incorrect:

.

Option A: RWF 106,500

To calculate the balance, we must add all the given components together:

Beginning Balance + Outstanding Checks + Outstanding Deposits + Floating Checks + Deposits in Transit

100,000 + 2,000 + 1,500 + 500 + 3,000 = 106,000

Since 106,000 is not equal to 106,500, this option is incorrect.

Option C: RWF 104,000

Calculating the balance using the same method as Option A:

100,000 + 2,000 + 1,500 + 500 + 3,000 = 106,000

Since 106,000 is not equal to 104,000, this option is incorrect.

Option D: RWF 107,000

Calculating the balance using the same method as Option A:

100,000 + 2,000 + 1,500 + 500 + 3,000 = 107,000

This option is incorrect.

The correct answer is not listed in the given options, which means there might be an error in the question or the provided information.

QUESTION 29

The correct answer is B

Identify outstanding checks and deposits. Outstanding checks are those that have been recorded by the company but have not yet cleared the bank. Similarly, outstanding deposits are those that have been made by the company but have not yet been credited by the bank.

A) Preparing the Bank Reconciliation Statement: The first step in preparing a bank reconciliation statement is to gather the necessary information, including the ending balance on the bank statement and the company's general ledger. This involves obtaining the bank statement for the relevant period and accessing the company's accounting records.

C) **Calculating the Adjusted Balance:** After identifying outstanding checks and deposits, the adjusted balance is calculated. This involves making adjustments to the bank statement balance for items such as bank errors, service charges, interest earned, and any other transactions that may affect the balance.

D) **Adjusting for Floating Checks and Deposits in Transit:** Finally, adjusting for floating checks and deposits in transit is an essential step. Floating checks are those issued by the company but have not yet been presented to the bank for payment, while deposits in transit are funds that have been deposited but have not yet been recorded by the bank.

QUESTION 30

The correct answer is A

Cost of goods sold (COGS) can be calculated by adding the beginning inventory balance to the cost of purchases and then subtracting the ending inventory balance.

B, C, and D are incorrect answers because:

Option B: Adding the cost of purchases to the ending inventory balance and then subtracting the beginning inventory balance would not accurately represent the cost of goods sold. This method does not account for the inventory that was already on hand at the beginning of the period.

Option C: Similar to option B, adding the cost of purchases to the ending inventory balance and then dividing the result by the number of units sold does not provide an accurate representation of COGS. This method does not consider the beginning inventory balance and may lead to inaccurate financial reporting.

Option D: Subtracting the cost of purchases from the beginning inventory balance and then adding the ending inventory balance does not provide an accurate calculation of COGS. This method does not reflect the actual cost of goods sold during a specific period.

QUESTION 31

The correct answer is A:

When using the double-entry system, it is true that **total debits must equal total credits**. This fundamental principle underpins the reliability and accuracy of financial accounting.

why options B, C, and D are incorrect:

B. Total debits must exceed total credits: This statement is incorrect because in the double-entry system, total debits must always equal total credits. This principle is known as the accounting equation and is a fundamental concept in accounting. The equality of debits and credits ensures that the balance sheet remains balanced.

C. Total debits must be less than total credits: This statement is also incorrect as it contradicts the fundamental principle of double-entry accounting. In this system, total debits must always equal total credits to maintain the balance in the accounting equation.

D. Total debits and credits are unrelated: This statement is incorrect as well. In the double-entry system, every debit has a corresponding credit, and they are directly related to each other. They work together to ensure that the financial records accurately reflect the transactions and maintain balance.

QUESTION 32

The correct answer is A

In general, debit transactions are used to record increases in assets and expenses, while credit transactions are used to record increases in liabilities, equity, and revenues. However, it's important to note that there are exceptions to this rule based on specific accounting principles and the nature of the transaction.

Why B, C, and D are incorrect answers in summary:

Option B is incorrect because equity and liabilities are not classified as debit transaction. In addition, that assets are not classified as credit transaction.

Option C is incorrect because they provided opposite classification to all accounts

Option A is incorrect because revenues are not classified as debit transaction and expenses are not classified as credit transactions.

QUESTION 33

The correct answer is B

This option is the correct method for correcting an imbalance in the ledger. Adjusting entries are recorded in the journal first, which is a book of original entry. After recording the adjusting entries, they are posted to the ledger accounts. This process ensures that the ledger accounts are accurate and up to date.

Option A - By Making Adjusting Entries in the Cashbook

Making adjusting entries in the cashbook is not the correct method for correcting an imbalance in the ledger. The cashbook is a record of all cash transactions, and it is not designed to handle adjusting entries. Adjusting entries are made to correct errors or to recognize accruals, prepayments, or deferrals.

Option C - By Making Adjusting Entries in the Ledger and Then Posting Them to the Cashbook

This option is incorrect because adjusting entries should be made in the journal and then posted to the ledger accounts. The cashbook is a record of all cash transactions and should not be used for adjusting entries.

Option D - By Making Adjusting Entries in the Income Statement and Then Posting Them to the Balance Sheet

This option is incorrect because adjusting entries should be made in the journal and then posted to the ledger accounts. The income statement and balance sheet are financial statements that are derived from the ledger accounts, and adjusting entries should be made directly in the ledger to ensure their accuracy.

QUESTION 34

The correct answer is B.

This process involves recording the total sales from the cashbook into the sales ledger, which is a fundamental step in maintaining accurate financial records and ensuring that all transactions are properly accounted for.

A) **Posting total sales to the purchase's ledger** is incorrect because the purchase's ledger is a record of purchases made by a business, not sales.

C)**Posting total purchases to the sales ledger** is also incorrect because the sales ledger is for recording sales, not purchases.

D) **posting total purchases to the purchase's ledger** is incorrect for the same reason as option C.

QUESTION 35

The correct answer is D

A trial balance is a list of all the ledger accounts and their balances at a specific point in time. It is used to verify that the total of all the debit balances equals the total of all the credit balances in the general ledger. Preparing a trial balance is a crucial step in ensuring the accuracy of financial statements, as it helps identify any errors or imbalances in the accounting records before they are used to create financial statements.

Why A, B, and C are incorrect answers:

A) **Preparing a journal entry for each transaction** is important for recording financial transactions, but it is not the only step in preparing financial statements.

B) **Reconciling the ledger accounts** is a necessary step to identify and correct errors, but it is not the final step in preparing financial statements.

C) **Posting the journal entry to the ledger accounts** is essential for recording transactions in the correct accounts, but it is not the final step in preparing financial statements

QUESTION 36

The correct answer is D

Close the sales ledger control account: Closing the sales ledger control account is not a standard step in preparing a sales ledger control account. The purpose of this account is to monitor and reconcile the balances related to customer accounts, and it remains open to facilitate ongoing monitoring and analysis.

A. Reconcile the sales ledger control account with the general ledger:

This statement is not entirely correct because is an essential step in preparing a sales ledger control account. Reconciliation ensures that the balances in the sales ledger control account and the general ledger match, thereby confirming the accuracy of the recorded transactions.

B. Transfer sales journal entries to the sales ledger.

This statement is not entirely correct because the transfer of sales journal entries to the sales ledger is a standard accounting practice. The sales journal serves as a chronological record of all credit sales made by a business. These entries are then transferred to the respective customer accounts in the sales ledger. Therefore, transferring sales journal entries to the sales ledger is a necessary step in maintaining accurate and up-to-date customer accounts.

C. Record all sales transactions in the sales journal.

Recording all sales transactions in the sales journal is an incorrect statement. While the sales journal is used to record credit sales, it does not encompass all types of sales transactions. Cash sales, for example, are typically recorded in a separate cash receipts journal or directly in the general ledger. Therefore, it is important to differentiate between various types of sales transactions and record them in their respective journals or ledgers.

D. Close the sales ledger control account.

Closing the sales ledger control account is not an accurate statement. The sales ledger control account remains open throughout the accounting period to track and summarize individual customer balances. It is only during the year-end closing process that temporary accounts, such as revenue and expense accounts, are closed to the retained earnings account. The sales ledger control account continues to be operational for ongoing monitoring and management of customer accounts.

QUESTION 37

The correct answer is A

The sales ledger control account is a key component in maintaining accurate financial records. It serves as the central point for tracking sales transactions and is located within the general ledger, which is the main record of a company's financial transactions. The sales ledger control account helps to ensure that all sales revenues are accurately recorded, monitored, and reported.

The question asks for the reason why B, C, and D are incorrect answers.

B. Record All Sales Transactions in the Sales Journal

The sales journal is a record of all sales transactions, which includes details such as the date, customer, and amount of the sale. Recording sales transactions in the sales journal is an essential step in the accounting process, as it provides a chronological record of all sales made by the company. However, recording sales transactions alone does not complete the process of accounting for sales.

C. Transfer Sales Journal Entries to the Sales Ledger

Transferring sales journal entries to the sales ledger is the process of moving the recorded sales transactions from the sales journal to the sales ledger. This step is necessary to ensure that the sales ledger is an accurate and up-to-date record of all sales made by the company. While transferring sales journal entries to the sales ledger is an important part of the accounting process, it is not the final step.

D. Prepare the Trial Balance

A trial balance is a list of all accounts in the general ledger and their corresponding balances. Preparing the trial balance is an essential step in the accounting process, as it provides a starting point for preparing financial statements. However, preparing the trial balance alone does not account for sales transactions.

QUESTION 38

The correct answer is A

Sales ledger control account

	RWF.		RWF.
Balance b/f	44,000	Returns inwards	2,890
Credit sales	143,766	Bank (Cheques in)	140,809
Bank (dishonored cheque)	500	Bad debts	2,890
		Contras	874
		Discounts allowed	1,734
		Balance c/f	39,069
	188,266		188,266

.

Purchases ledger control account

	RWF		RWF
Returns out	742	Balance b/f	24,900
Cash/bank (payment to suppliers)	80,234	Credit purchase	87,982
Contra	874		
Discount received	540		
Balance c/f	30,492		
	112,882		112,882

B) The sales ledger RWF 143,766 and purchases ledger control accounts are RWF 87,982 Is credit sales and credit purchase that why is irrelevant

C) The sales ledger RWF 188,266 and purchases ledger control accounts are RWF 112,882 is summation of sales ledger and purchase ledger isn't correct

D) None of above is beyond of the answer

QUESTION 39

The correct answer is C

As a separate line item for each tax type. This method allows for the segregation of different types of taxes, such as income tax, sales tax, property tax, and others. By recording each tax payment as a separate line item for each tax type, the organization can maintain detailed records of its various tax obligations.

Why A, B, and D Are Not Correct

A: As a separate line item for each payment: This method would result in a large number of individual line items for each payment, making it difficult to track and reconcile the payments with their respective tax types. It lacks the necessary categorization by tax type.

B: As a single line item for all payments: This method does not provide the necessary level of detail required for effective tax management. It fails to differentiate between different types of taxes and their respective payment amounts.

D: As a single line item for all tax types: Similar to option B, this method does not allow for the segregation of different tax types. It presents an aggregated view of all tax payments without the necessary breakdown by tax category.

QUESTION 40

The correct answer is A

Another significant benefit is to provide evidence of the reconciliation process. The reconciliation report serves as documentation that demonstrates how the company has compared and adjusted the purchase ledger control account with the list of creditors. This evidence is crucial for internal control purposes, external audits, and regulatory compliance. It provides transparency and accountability in financial reporting, showing that proper procedures have been followed to reconcile the accounts.

Why B, C, and D are Incorrect:

B) To monitor the company's cash flow: Monitoring the company's cash flow is an important financial management activity, but it is not the main benefit of preparing a reconciliation report after reconciling the purchase ledger control account and the list of creditors. Cash flow monitoring involves tracking the movement of cash in and out of the business, which is essential for managing liquidity and making informed financial decisions. While reconciliation reports may indirectly contribute to cash flow monitoring by ensuring accuracy in financial records, it is not their primary purpose.

C) To ensure the accounts are accurate and up to date: Ensuring the accuracy and timeliness of accounts is indeed a crucial aspect of financial management. However, this statement does not capture the main benefit of preparing a reconciliation report after reconciling the purchase ledger control account and the list of creditors. Reconciliation reports serve as evidence of the reconciliation process, providing documentation that supports the accuracy and integrity of financial records. While accuracy and timeliness are important outcomes of reconciliation, they are not the primary purpose of preparing a reconciliation report.

D) To determine the company's profitability: Determining the company's profitability involves analyzing various financial statements, such as income statements and balance sheets, to assess the organization's ability to generate earnings relative to its expenses and other costs. While accurate financial records are essential for profitability analysis, preparing a reconciliation report after reconciling the purchase ledger control account and the list of creditors directly focuses on providing evidence of the reconciliation process rather than determining profitability.

QUESTION 41

The correct answer is D

When facing discrepancies between the purchase ledger control account and the list of creditors, it is important to consider multiple approaches for resolution. This may involve writing off bad debts, adjusting the accounts, and actively communicating with creditors to verify outstanding balances. Employing a combination of these methods can lead to a comprehensive resolution of discrepancies and promote accurate financial reporting.

A. Writing off bad debts

Writing off bad debts is the process of removing outstanding balances from the purchase ledger control account that are deemed uncollectible. This method can be helpful when dealing with debts that are severely overdue or when attempts to contact the creditor have been unsuccessful. However, it is essential to maintain a record of the written-off debts for future reference and compliance with accounting standards.

B. Adjusting the account

Adjusting the account involves making journal entries to rectify any discrepancies in the purchase ledger control account. This method can be used when errors in recording transactions have led to inaccuracies in the account balance. For example, if an invoice has been incorrectly recorded as paid when it was not, an adjustment entry can be made to reverse the initial entry and bring the account balance back in line with the actual outstanding balance.

C. Contacting creditors to verify outstanding balances

Contacting creditors is an essential step in resolving discrepancies between the purchase ledger control account and the list of creditors. By directly communicating with creditors, businesses can verify the accuracy of outstanding balances, identify any duplicate entries or errors, and resolve any disputes that may have arisen. This approach also helps to maintain a healthy relationship with creditors, as it demonstrates the company's commitment to accurate record-keeping and prompt payment.

QUESTION 42

The correct answer is B.

The characteristic that does not align with valid cash transactions is the requirement for a bank account. Unlike digital or electronic forms of payment that often necessitate a bank account for fund transfers, cash transactions can occur independently of bank accounts.

Now, let's discuss why options A, C, and D are incorrect:

A) **Immediate Transfer of Funds** One of the characteristics of valid cash transactions is the immediate transfer of funds. When a cash transaction occurs, the transfer of funds is instantaneous, providing immediate access to the exchanged value. This immediacy is a defining feature of cash transactions and distinguishes them from other forms of payment that may involve delays in fund transfers.

B) **Physical Form of Currency** Another characteristic of valid cash transactions is the physical form of currency. Cash transactions involve the use of physical currency, such as banknotes and coins, as a medium of exchange. The tangible nature of cash distinguishes it from digital or electronic forms of payment, providing a physical representation of value in transactions.

D) Widely Accepted as a Medium of Exchange Valid cash transactions are characterized by the widespread acceptance of cash as a medium of exchange. Cash is universally recognized to conduct transactions and is accepted by businesses, individuals, and financial institutions across various jurisdictions. This wide acceptance contributes to the liquidity and usability of cash in economic exchanges.

QUESTION 43

The correct answer is A

This method is preferred as it directly reverses the impact of the original incorrect transaction. By creating a new entry with opposite debit and credit amounts, the erroneous entry is effectively nullified, ensuring that the financial statements accurately reflect the corrected transactions.

Why B, C, and D are Incorrect Answers:

B) By directly modifying the original journal entry: Modifying the original journal entry is not recommended as it can compromise the integrity of the financial records. It is essential to maintain an audit trail and ensure that all changes made to the general ledger are properly documented. Directly modifying the original entry can lead to confusion and potential errors in financial reporting.

C) By creating a new journal entry with the same debit and credit amounts: Creating a new journal entry with the same debit and credit amounts does not effectively reverse an incorrect transaction. This approach does not rectify the error in the original entry and can result in inaccurate financial information.

D) By deleting the original journal entry and starting from scratch: Deleting the original journal entry and starting from scratch is not advisable as it erases the historical record of the transaction. It is crucial to maintain a clear audit trail and preserve the history of financial transactions for transparency and compliance purposes.

QUESTION 44

The correct answer is A

Calculation: Gross profit = Sales revenue - Cost of goods sold.

: RWF 10,000-RWF 6,000=RWF 4,000

Now, let’s address the incorrect options B, C, and D:

B: RWF 2,000

C: RWF 1,000

D: RWF 0

Option B (RWF 2,000) is incorrect because it is the salary expense, not the gross profit. **Option C (RWF 1,000)** is incorrect because it is the depreciation expense, not the gross **profit. Option D (RWF 0)** is incorrect because transport of furniture is capital expenditure to specified asset.

In conclusion, the correct answer to the question is RWF 4,000, which is the company’s gross profit. The other options B, C, and D are incorrect as they represent different expenses and not the gross profit.

QUESTION 45

The correct answer is C.

In the scenario where there are errors in both the balance sheet and income statement, but the trial balance is still balanced, a company would need to correct errors not disclosed by the trial balance. This is because the trial balance only ensures that the total debits equal the total credits, but it does not guarantee that individual accounts are free from errors. Therefore, discrepancies in specific accounts may not be revealed by the trial balance.

Why B, C, and D are Incorrect Answers:

When there are discrepancies in the cash account only **(Option A),** it may indicate a need for reconciliation or adjustment, but it does not necessarily require correction of errors not disclosed by the trial balance.

If there are errors in the balance sheet but not in the income statement (**Option B),** it could still indicate a need for correction, but it does not directly relate to errors not disclosed by the trial balance.

Similarly, if there are errors in the income statement only, and the balance sheet is unaffected **(Option D),** it may require adjustments, but it does not specifically address errors not disclosed by the trial balance.

QUESTION 46

The correct answer is D.

When a business purchases inventory on credit, it means that the business has received the inventory but has not yet paid for it. In this scenario, the journal entry to record the transaction involves debiting the Purchases account to recognize the increase in inventory and crediting the Accounts Payable account to acknowledge the liability to pay for the inventory in the future.

The other options provided are incorrect for the following reasons:

A) Debit Inventory, Credit Cash: It's important to note that in this scenario, there is no cash involved in the transaction at the time of purchase, so there is no entry involving the cash account.

B) Debit Accounts Payable, Credit Inventory: This entry is incorrect because it would record a payment to the supplier instead of a purchase on credit. When paying for inventory, the company would debit Accounts Payable (an account that records the company's obligation to pay its suppliers) and credit Cash (to pay the supplier).

C) Debit Accounts Receivable, Credit Sales: This entry is incorrect because it records a sale instead of a purchase. When a company sells its products or services, it would debit Sales (to record the revenue) and credit Accounts Receivable (to record the obligation of the customer to pay).

QUESTION 47

The correct answer is A

Decreases assets and decreases equity. Recording depreciation expense has a direct impact on the balance sheet by decreasing the carrying value of fixed assets and reducing equity as it decreases net income and retained earnings.

Why B, C, and D are Incorrect Answers:

B) Decreases assets and increases liabilities

Recording depreciation expense does not increase liabilities. Depreciation is an allocation of the cost of an asset over its useful life, and it does not create any additional liabilities for the company. Therefore, this option is incorrect.

C) Decreases assets and decreases liabilities

As mentioned earlier, depreciation does not increase liabilities, and it decreases the carrying value of fixed assets on the balance sheet. Consequently, this option is incorrect.

D) Decreases assets and decreases expenses

Depreciation expense is not an expense in the traditional sense. It is a non-cash expense that allocates the cost of a fixed asset over its useful life. Although it is charged against the income statement, it does not decrease the company’s cash outflow. Therefore, this option is incorrect.

QUESTION 48

The correct answer is D.

One of the key advantages of using LIFO during inflationary periods is that it results in lower taxable income compared to other inventory valuation methods such as FIFO (First-In-First-Out). This is because LIFO matches higher costs with current revenues, leading to higher COGS and lower reported profits. As a result, companies using LIFO may pay less in taxes during periods of rising prices.

Higher ending inventory value during inflationary periods (Option A): This statement is not true when using the LIFO method for inventory valuation. In fact, during inflationary periods, LIFO results in a lower ending inventory value compared to other inventory valuation methods such as FIFO (First-In-First-Out). This is because under LIFO, the most recent (and usually higher cost) inventory items are assumed to be sold first, leading to a lower ending inventory value.

Lower cost of goods sold during inflationary periods (Option B): This statement is also not true when using the LIFO method. During inflationary periods, LIFO results in a higher cost of goods sold compared to FIFO, as the most recent and usually higher cost items are assumed to be sold first under LIFO.

Matches Current Costs with Current Revenues (Option C):

This statement is not correct when using the LIFO method for inventory valuation. In fact, one of the main criticisms of LIFO is that it does not match current costs with current revenues. Under LIFO, the cost of goods sold reflects older, often lower-cost inventory items, while current revenues are based on the selling prices of newer, often higher-cost inventory items. This can result in a mismatch between costs and revenues, leading to distorted financial statements.

QUESTION 49

The correct answer is B.

Effect on the Current Ratio

Before the Transaction:

Current Assets (CA) = RWF 150,000
Current Liabilities (CL) = RWF 100,000
Initial Current Ratio $= \frac{150,000}{100,000} = 1.5$

To determine how this transaction affects the current ratio, we need to recalculate the current ratio after the transaction (Example paying RWF 50,000 with cash)

New Current Assets = RWF 150,000 - RWF 100,000 = RWF 50,000

New Current Liabilities = RWF 100,000- RWF 50,000 = RWF 50,000
New Current Ratio $= \frac{100,000}{50,000} = 2$

The transaction of paying off a current liability using cash from its current assets will increase the company's current ratio. The new current ratio will be 2 from 1.5 and if other example is taken also there will be the increase in that circumstance.

Why B, C and D are incorrect answer:

A. Decrease: This option is incorrect because the decrease in current liabilities will not decrease the current ratio. Instead, it will increase.

C. Remains unchanged: The current ratio that remains unchanged is also incorrect because the transaction resulted in the company being able to cover its current liabilities. This option is incorrect because the decrease in current liabilities will not keep the current ratio the same. Instead, it will either increase.

D. Cannot be determined without additional information: This answer is incorrect because we have all the necessary information to determine the impact of the transaction on the current ratio.

QUESTION 50

The correct answer is A

This account would typically be used to record the expense related to providing benefits to employees, such as health insurance premiums or retirement plan contributions. However, when benefit contributions are deducted from employee salaries, it represents a liability rather than an expense, so this account would not be debited in this scenario.

The journal entry for benefit contributions deducted from employee salaries would be as follows:

Debit: Benefit Contribution Expense

Credit: Cash or Bank Account (or any other applicable liability account)

The debit to the Benefit Contribution Expense account reflects the increase in expenses associated with the benefit contributions. This expense is recognized as a cost of providing benefits to employees and is recorded on the income statement.

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

B. **Cash or Bank Account**: Debiting the cash or bank account would imply that the company has received the benefit contributions deducted from employee salaries as cash inflow. However, in this scenario, the company is deducting these contributions from employee salaries and is obligated to hold them for the purpose of providing benefits to employees. Therefore, debiting the cash or bank account would not accurately reflect the nature of the transaction.

C. **Employee Benefit Liability**: This account represents the obligation of the company to provide future benefits to its employees. When benefit contributions are deducted from employee salaries, it increases this liability as the company holds these funds for the purpose of providing benefits. Therefore, debiting the Employee Benefit Liability account aligns with the accounting principle of recognizing and increasing liabilities when obligations arise.

D. **Benefit Contribution Account**: While this account may seem relevant due to its name, it is important to note that it is not a standard account in accounting practices. The specific nature of benefit contributions being deducted from employee salaries would be appropriately recorded in the Employee Benefit Liability account rather than a separate "Benefit Contribution Account."

END OF MARKING GUIDE AND MODEL AMSWERS