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QUESTION NO: 1

Which of the following are reasons an organization needs a sound records management plan? I. To afford some protection against lawsuits; II. To safeguard vital information; III. To analyze and manage expenditures.

- A. III only
- B. I and II only
- C. I, II, and III
- D. I only

ANSWER: C

Explanation:

I, II, and III is correct because a sound records management plan supports legal readiness, protects information essential to continued operations, and makes financial records usable for oversight. Reliable, complete, and retrievable records establish the evidence needed to respond to claims, audits, disputes, investigations, and records requests. A defined plan also identifies vital records and applies appropriate retention, security, access, backup, and disposition controls so that critical vendor, invoice, payment, tax, and contractual information remains available and protected.

In accounts payable, organized records also provide the data trail needed to review spending by supplier, category, business unit, period, or payment method. This allows the organization to identify trends, monitor compliance with purchasing policies and contracts, support budget activities, and manage expenditures using dependable source documentation. Records management is therefore not merely a storage function; it is an internal-control practice that preserves evidence, reduces information risk, and enables informed financial management. The U.S. National Archives describes records management as controlling records throughout their lifecycle, including maintenance and use, while its vital-records guidance emphasizes protecting information needed to continue operations and meet obligations. See [National Archives records-management guidance](#) and [National Archives vital-records guidance](#).

QUESTION NO: 2

Which of the following AP department procedures would reduce the number of vendor calls to the AP department?

- A. I and II only (Provide access to a supplier portal, Assigning specific individuals to interact with specific vendors)
- B. II and III only (Assigning specific individuals to interact with specific vendors, Including as much information as possible on the remittance advice)
- C. I and III only (Provide access to a supplier portal, Including as much information as possible on the remittance advice)
- D. I, II, and III (Provide access to a supplier portal, Assigning specific individuals to interact with specific vendors, Including as much information as possible on the remittance advice)

ANSWER: C

Explanation:

I and III only (Provide access to a supplier portal, Including as much information as possible on the remittance advice) is correct because both practices prevent common payment-status and reconciliation inquiries before a supplier needs to contact Accounts Payable. A supplier portal gives authorized vendors self-service access to relevant invoice, purchase order, and payment information. Rather than calling AP to ask whether an invoice was received, approved, scheduled, or paid, the vendor can review current status directly. This improves transparency while allowing AP staff to focus on exception handling and timely processing.

Complete remittance advice similarly reduces avoidable contacts after payment is issued. Clear remittance details—such as supplier identity, payment date and amount, invoice numbers, credit memo or discount references, and any deductions—allow the supplier to apply the payment accurately to its receivables records. Providing this information is particularly valuable when one payment covers multiple invoices. The U.S. Federal Reserve explains the value of remittance information in helping businesses match payments to invoices and reconcile receivables. AP self-service capabilities and supplier

collaboration are also recognized components of modern payable operations. See [Federal Reserve Financial Services: Remittance Information](#) and [Microsoft Learn: Vendor invoice overview](#).

QUESTION NO: 3

What is an important reason an organization's tolerance level for discrepancies between a PO and an invoice should be kept confidential?

- A. To prevent vendor fraud
- B. To keep procurement alert to not making mistakes
- C. To avoid scrutiny by internal audit
- D. To allow overages to be deposited into a secure fund for executive use

ANSWER: A

Explanation:

To prevent vendor fraud is correct because invoice-matching tolerances are internal-control thresholds, not information that suppliers need to perform their contractual obligations. A tolerance permits a limited variance between an invoice and the purchase order, receipt, or both to be processed without an exception workflow. If a vendor knows the precise permitted amount or percentage, a dishonest party could deliberately submit charges just inside that threshold. Small, repeated overbillings can evade review when they consistently fall below the level that triggers investigation, approval, or a payment hold.

Confidentiality strengthens the preventive value of automated matching and exception management. The organization can still communicate clear contractual prices, quantities, delivery requirements, and invoice-submission standards to suppliers, while restricting the internal logic used to decide when an invoice requires escalation. Tolerance settings should also be governed, periodically reviewed, and supported by monitoring for recurring variances, duplicate invoices, and unusual vendor patterns. This approach helps accounts payable balance efficient processing of immaterial differences with protection against payment leakage and manipulation.

The Institute of Internal Auditors describes internal control as a process designed to help manage risk and achieve objectives, including safeguarding resources: [IIA Global Internal Audit Standards](#). Invoice matching is a key control for validating supplier invoices against purchasing and receiving records; see [NetSuite's overview of three-way matching](#).

QUESTION NO: 4

Which of the following IRS documents addresses travel & entertainment (T&E) expenses?

- A. Notice 1009
- B. Publication 463
- C. Advisory 972
- D. Form 1046

ANSWER: B

Explanation:

Publication 463 is the IRS publication that addresses the federal tax treatment and substantiation of business travel, gift, and vehicle expenses—the categories commonly administered through an organization's travel and entertainment expense process. It explains which travel costs may qualify as deductible business expenses, including transportation, lodging, meals, and incidental expenses, as well as the recordkeeping needed to support those costs. For accounts payable professionals, this guidance is important when evaluating expense reports, applying reimbursement policies, and maintaining documentation that supports an employer's accountable plan.

Publication 463 also describes the substantiation elements that records should establish, such as the amount, time, place, business purpose, and business relationship associated with an expense. Its accountable-plan guidance is particularly relevant: reimbursements under a properly administered accountable plan generally are not treated as employee wages when the business connection, substantiation, and return-of-excess requirements are met. Although the publication's title reflects current tax-law terminology and entertainment deductions have been substantially limited, it remains the principal IRS resource for the travel-and-meal expense rules encountered in T&E administration. The IRS provides the publication and its current revisions at [IRS Publication 463](#); accountable-plan requirements are also summarized in [IRS Publication 15-B](#).

QUESTION NO: 5

A three-way match is governed by the invoice, the purchase order, and which of the following?

- A. Remittance advice
- B. Bank draft
- C. P-card statement
- D. Receiving documents

ANSWER: D

Explanation:

Receiving documents are the third record in a standard three-way match. This accounts payable control compares the supplier's invoice and the purchase order against evidence that the organization actually received the ordered goods or services. The receiving document may be called a receiving report, goods-received note, delivery receipt, or similar record. It ordinarily records what was received, when it was received, and, where applicable, the quantity and condition of the items.

Using these three records together establishes that the purchase was authorized, billed in accordance with the order, and fulfilled before payment is released. AP uses the comparison to validate such details as supplier, item or service, quantity, price, and payment terms. Differences are routed for review and resolution, helping the organization prevent duplicate, inaccurate, unauthorized, or premature payments. In practice, organizations may use tolerances for minor quantity or price variances and may adapt receiving evidence for services, but the core control remains the same: invoice, purchase order, and documented receipt.

The U.S. General Services Administration describes three-way matching as comparing the purchase order, receiving report, and invoice before payment: [GSA Accounts Payable guidance](#). Oracle's overview also identifies the purchase order, receipt, and invoice as the documents used for three-way matching: [Oracle Financials documentation](#).

QUESTION NO: 6

Ways to minimize the number of rush checks that are requested include:

- A. I only (Distribute the check run schedule with cut-off dates and times)
- B. I and II only (Distribute the check run schedule with cut-off dates and times, Charge a rush check processing fee)
- C. I, II, and III (Distribute the check run schedule with cut-off dates and times, Charge a rush check processing fee, Publish the names of frequent rush check requestors)
- D. II only (Charge a rush check processing fee)

ANSWER: C

Explanation:

"I, II, and III (Distribute the check run schedule with cut-off dates and times, Charge a rush check processing fee, Publish the names of frequent rush check requestors)" is correct because each measure establishes accountability for using the normal payment process rather than treating expedited payments as routine. A clearly distributed check-run calendar, including firm

invoice cutoffs, lets requesting departments plan submissions around established processing cycles. This is a foundational control because it makes expectations visible and gives AP a consistent basis for declining avoidable late requests.

Charging the requesting department for the incremental work associated with an exception makes the cost of a rush check visible to the business area that created the need. That cost allocation encourages departments to improve invoice routing, approval timing, and purchasing practices. Publishing or reporting frequent requestors provides management visibility into recurring exceptions, enabling follow-up, trend analysis, and corrective action with the responsible areas. Used as an internal accountability report rather than as personal criticism, it helps identify process failures and reinforces compliance with the payment calendar. Together, these practices reduce avoidable exceptions while preserving rush processing for genuine business needs. This approach is consistent with AP process-control and accountability principles emphasized in the [IOFM Accredited Payables Specialist program](#) and the monitoring principles in the [IIA Global Internal Audit Standards](#).

QUESTION NO: 7

Each of the following are ways to expand the use of the P-card, EXCEPT:

- A. Eliminate spending limits on the card
- B. Issue AP a departmental card for making vendor payments
- C. Have the issuer identify more vendors that accept the card
- D. Expand the categories of purchases available for card use

ANSWER: A

Explanation:

Eliminate spending limits on the card is the exception because a well-controlled purchasing-card program expands use while retaining appropriate transaction and monthly dollar limits. Spending limits are a core preventive control: they align cardholder authority with job responsibilities, expected purchasing needs, delegated approval levels, and the organization's risk tolerance. Limits also help ensure that purchases remain within the intended scope of the P-card program and receive the appropriate review before higher-value commitments are made.

Removing limits entirely would weaken the control environment by allowing a cardholder to make purchases with no predefined value boundary. This increases exposure to unauthorized transactions, excessive spending, misuse, and purchases that should follow a purchase-order, contract, competitive-bid, or other higher-control process. Rather than eliminating limits, accounts payable should establish and periodically review limits based on documented business need, with approval for exceptions and monitoring of transactions. This approach supports broader adoption without giving up the safeguards needed for sound financial stewardship and auditability. Guidance on purchase-card controls is available from the [U.S. Government Accountability Office](#), and commercial-card control features are described by [Visa Commercial Solutions](#).

QUESTION NO: 8

Which party is responsible for providing 1099 information for P-card transactions to the IRS?

- A. Merchant
- B. Card issuer
- C. Card user
- D. Accounts payable

ANSWER: B

Explanation:

Card issuer is correct because P-card purchases are payments made through a payment-card network. Under Internal Revenue Code section 6050W, the payment settlement entity—not the buying organization's accounts-payable department

or the merchant receiving the funds—has the information-reporting responsibility for reportable payment-card transactions. In the P-card setting, the card issuer commonly performs this role and reports the merchant's gross payment volume on Form 1099-K when reporting is required. This treatment prevents duplicate reporting by the payer: payments made by credit card, debit card, or other payment-card methods are specifically excluded from the payer's Form 1099-NEC and Form 1099-MISC reporting obligations because they are reportable, where applicable, by the payment settlement entity. From an AP-controls perspective, this means the organization should accurately identify P-card payments in its vendor-payment records and exclude them from its own year-end 1099 payment totals, while maintaining appropriate transaction documentation and resolving issuer data issues. The IRS's Form 1099-K guidance identifies payment-card transactions as reportable by payment settlement entities, and the Form 1099-MISC instructions confirm the payer exclusion for payments made by payment card. See [IRS: Understanding Your Form 1099-K](#) and [IRS Instructions for Forms 1099-MISC and 1099-NEC](#).

QUESTION NO: 9

All of the following items are typically addressed in an organization's vendor setup guidelines except:

- A. Validating that the person who requested the new vendor is authorized to do so
- B. Whether or not the vendor outsources its order fulfillment process
- C. The conventions for the way letters and abbreviations must be entered
- D. Verification that the vendor is not already in the system

ANSWER: B

Explanation:

Whether or not the vendor outsources its order fulfillment process is the item not typically addressed in vendor setup guidelines. Accounts payable vendor-master setup controls are designed to establish a reliable, uniquely identifiable, properly authorized payee record before transactions or payments are processed. Accordingly, the process centers on governance of the request, collection and validation of required supplier information, consistent entry conventions, duplicate-record prevention, approval workflow, and controls over subsequent changes to payment-sensitive data. These practices support accurate reporting, appropriate tax and payment processing, and fraud prevention.

A supplier's decision to outsource fulfillment concerns how it performs its operational obligations to customers or buyers. That information may be relevant to sourcing, procurement due diligence, supplier performance management, contract administration, or supply-chain risk review. It is not ordinarily necessary to create, validate, or control the vendor-master record used by AP. Organizations should maintain segregation of duties and documented vendor-master controls because supplier-file changes can affect where payments are directed. The Institute of Internal Auditors' guidance on fraud risk and controls supports attention to controlled vendor-data processes, while the IRS describes the payee-identification information needed for information-reporting purposes. See [The IIA's fraud-risk guidance](#) and [IRS taxpayer identification number guidance](#).

QUESTION NO: 10

In order to be SOX compliant, the T & E process in the U.S. must:

- A. I and II only (Ensure correct and accurate recordkeeping; Provide a reliable approval workflow)
- B. I only (Ensure correct and accurate recordkeeping)
- C. I and III only (Ensure correct and accurate recordkeeping; Include report generation with visibility at all required levels)
- D. II only (Provide a reliable approval workflow)

ANSWER: A

Explanation:

I and II only (Ensure correct and accurate recordkeeping; Provide a reliable approval workflow) is correct because travel-and-expense activity creates accounting entries that can affect a public company's financial reporting. SOX requires management to establish, maintain, and assess internal control over financial reporting. In practice, the T&E process must therefore preserve complete, accurate, and supportable records, including expense reports, receipts, coding, policy exceptions, and audit trails. These records enable the company to substantiate recorded expenses and demonstrate that controls operated as intended.

A reliable approval workflow is also an essential control because it documents authorized review before reimbursement or payment, applies appropriate approval authority, and helps prevent or detect unauthorized, duplicate, excessive, or improperly coded expenses. The workflow should retain evidence of who approved the transaction, when approval occurred, and any required escalation or exception handling. Together, accurate records and documented authorization provide the evidence needed for management's control assessment and for audit support. Section 404 of the Sarbanes-Oxley Act addresses management's responsibility for internal control over financial reporting, while the Act also establishes record-retention requirements relevant to audit evidence. See the [SEC's Sarbanes-Oxley Act resource page](#) and the statutory text for [Public Law 107-204](#).

QUESTION NO: 11

During a review of the vendor master file, AP finds an inactive supplier record with no payments for two years. The record contains a valid tax ID and historical payment information. What is the best control action?

- A. Delete the vendor record to reduce the size of the master file
- B. Block the vendor from new transactions while retaining the historical record
- C. Leave the vendor active because its tax ID remains valid
- D. Create a new vendor record if the supplier resumes doing business

ANSWER: B

Explanation:

Block the vendor from new transactions while retaining the historical record is correct. Blocking an inactive vendor prevents unauthorized use or accidental selection for future payments while preserving payment history, tax data, and the audit trail. Deleting the record can impair reporting, duplicate-vendor analysis, and audit support. Reactivation, if later needed, should require an authorized review of current vendor information.

QUESTION NO: 12

In double-entry accounting, which of the following pairs of accounting entries are made when an invoice has been paid?

- A. Credit cash and debit the asset account
- B. Debit the expense and credit the AP liability account
- C. Debit cash (asset) and credit the AP liability account
- D. Credit cash and debit the AP liability account

ANSWER: D

Explanation:

Credit cash and debit the AP liability account is the correct entry when a previously recorded vendor invoice is paid. Accounts payable is a liability: it represents an amount the organization owes a supplier. Liability accounts normally carry credit balances, so recording a debit to accounts payable reduces the outstanding obligation by the amount settled. Cash is an asset and normally carries a debit balance. Because the payment sends funds out of the organization, a credit to cash decreases the cash balance. The two sides of the entry are equal, preserving the fundamental double-entry accounting equation.

This payment entry is distinct from the earlier invoice-recording entry. At payment, the underlying expense or purchased asset has already been recognized and the payable has already been established. The payment process therefore clears the liability rather than recording the expense again. Accurate use of this entry supports proper reconciliation of the AP subledger, general ledger payable balance, bank activity, and vendor account status. The Financial Accounting Standards Board's conceptual guidance describes liabilities as present obligations requiring a transfer of economic benefits, while cash payments settle those obligations; see the [FASB Conceptual Framework](#). For practical bookkeeping treatment of paying vendor bills, see [AccountingCoach's Accounts Payable explanation](#).