



**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATION**

S2.1 PREPARATION OF BASIC OF ACCOUNTS

DATE: WEDNESDAY 26, APRIL 2023

INSTRUCTIONS:

- 1. Time allowed: 2 hours and 30 minutes.**
- 2. This examination has one section only: Section A.**
- 3. Section A has 50 compulsory multiple-choice questions equal to 2 marks each.**
- 4. The question paper should not be taken out of the examination room.**

QUESTION ONE

Ndaruhutse has been working with international organizations dealing in creating impact to the society. Last year he retired and is planning to venture into something that will sustain him during his retirement. He approached his friend who has been working with different startups for advice and was advised to start a business and wondered what a business means.

Which of the following correctly explain what the business is?

- A. A business invests money in resources (e.g., it buys buildings, it pays employees) in order to make even more money for its owners.
- B. A legal entity organized and operated for a collective, public or social benefit.
- C. independent business entities that exist separately from their owners, who usually receive a share of the business in return for their investments.
- D. A group that functions independently of any government.

(2 Marks)

QUESTION TWO

Which of the following is not an element of financial statements?

- A. Assets
- B. Liabilities
- C. Profit
- D. Capital

(2 Marks)

QUESTION THREE

A business sold goods costing FRW 280,000 by cash at a profit of FRW 68,000. **Which of the following is not an effect of the above transaction?**

- A. Assets (cash) increase by FRW 348,000.
- B. Assets (inventory) decrease by FRW 280,000.
- C. Capital (the profit earned for the proprietor) increases by FRW 68,000.
- D. Assets (Bank) decreases by FRW 280,000.

(2 Marks)

QUESTION FOUR

Umutoni is an account assistant in BMB Ltd. During the month of January 2023, the company sold goods to ZK Ltd worth FRW 286,000 on credit.

What is the double entry for the transaction?

- A Dr. Accounts Receivables 286,000
- Cr. Sales 286,000
- B Dr. Accounts Receivable 286,000
- Cr. Inventory 286,000
- C Dr. Cash 286,000
- Cr. Sales 286,000
- D Dr. Purchases 286,000
- Cr. Accounts Payable 286,000

(2 Marks)

QUESTION FIVE

During the press release, a bank released their annual financial statements, their CFO was heard saying that “the directors have made an assessment of the bank’s ability to continue as a going concern and have no reason to believe the bank will not be a going concern for at least the next twelve months from the date of these financial statements.”

What is the meaning of the going concern?

- A The business will not change any accounting policies in the next 12 months.
- B Implies that the business will not make losses in the next 12 months.
- C Implies that the business will continue in operation for the foreseeable future, and that there is no intention to put the company into liquidation or to cease trading.
- D The business has not intentions of listing on the stock exchange in the next 12 months.

(2 Marks)

QUESTION SIX

When the owner of a business takes goods from inventory for their own personal use,

Which the following accounting principles should be considered?

- A Business Entity.
- B Consistency.
- C Going concern.
- D Money measurement.

(2 Marks)

QUESTION SEVEN

Which of the following is not an enhancing qualitative characteristic of financial information?

- A Comparability
- B Relevance
- C Verifiability
- D Understandability

(2 Marks)

QUESTION EIGHT

Items should be included in the financial statements if their omission would mislead the users of the financial statements.

Which of the following accounting principles provides for this?

- A Prudence
- B Materiality
- C Consistency
- D Accruals

(2 Marks)

QUESTION NINE (Use the following information to answer this question and Q10)

Kelia is an account assistant of Rwanda Advisory Group Ltd. She has been assigned to Financial Reporting Manager to assist him compiling data in the preparation of financial statements for the year ended 31st December 2022.

Particulars	Amount (FRW)
Accounts Receivables	680,000
Motor Vehicle	5,800,000
Cash at bank	800,000
Interest payable	450,000
Accounts Payable	502,000
10 Years loan	6,000,000
Accrued rental income	340,000

What are the total current assets?

- A FRW 7,620,000
- B FRW 1,480,000
- C FRW 1,820,000
- D FRW 7,280,000

(2 Marks)

QUESTION 10

What is the final figure to be presented to Statement of Financial Position as Liabilities?

- A FRW 6,952,000
- B FRW 7,292,000
- C FRW 952,000
- D FRW 1,292,000

(2 Marks)

QUESTION 11

What is the purpose of preparing the statement of financial position?

- A Shows how much the business paid to acquire Assets.
- B Shows the financial position of a business at the end of the reporting period.
- C Shows business's total inflows and outflows for the period.
- D Shows how much owners of the business injected into the business during the period.

(2 Marks)

QUESTION 12

Agnes is a business woman operating a boutique in Itunda Cell. She deals in buying household materials and reselling them to her customers. In the month of February 2023, she returned some of the household materials worth FRW 486,000 she had purchased to her suppliers due to defects and received a credit note to that effect.

Which book of prime entry should she record that transaction?

- A Cashbook.
- B Purchases day book.
- C Purchase returns day book.
- D Petty cashbook.

(2 Marks)

QUESTION 13

Jonan is an Accounts Assistant of RTG Ltd operating in manufacturing industry. During the weekly departmental meeting, he was tasked to be preparing weekly purchases day book. After the meeting she went to Finance Manager's office to inquire more about how the purchase day book is prepared and the documents she needs to prepare it

Which of the following is a source document for purchase day book?

- A Sales invoices.
- B Purchase invoices.
- C Credit notes received.
- D Stock cards.

(2 Marks)

QUESTION 14 (Use the following information to answer this question and Q15)

Karangwa is a regular customer of Isaro business Ltd. During the month of March 2023, she purchased goods with price list of FRW 458,000. Isaro Ltd offered Karangwa a trade discount of 5% and 15% discount upon full payment within 15 days.

Determine the amount Karangwa will pay if he pays after 15 days?

- A FRW 68,700
- B FRW 22,900
- C FRW 458,000
- D FRW 435,100

(2 Marks)

QUESTION 15

Determine how much Karangwa will pay if he pays within 15 days?

- A FRW 91,600
- B FRW 369,835
- C FRW 389,300
- D FRW 458,000

(2 Marks)

QUESTION 16 (Use the below case study to answer this question and Q17)

Bamurange is a startup owner in the city of Musanze in Northern Rwanda. She has been recording all her sales on credit in sales daybook to maintain sales record. During February she attended a training on records maintaining that was organized by ICPAR in partnership with an NGO aiming at supporting startups to keep proper records and among the training modules, they were trained on the accounting process from source documents to preparation of financial statements including posting from day books to different ledgers. After the training she realized that she needs to post FRW 600,000 she had recorded in her sales day book to ledger.

Which ledger account should she use to record her sales day book total?

- A Cash ledger
- B Accounts Receivable ledger account
- C Sales ledger
- D Sales day book ledger

(2 Marks)

QUESTION 17

How should she post the sales daybook total identified in question 16 above?

- A Dr. Receivables FRW 600,000 Cr. Sales FRW 600,000
- B Dr. Sales FRW 600,000 Cr. Cash FRW 600,000
- C Dr. Cash FRW 600,000 Cr. Sales FRW 600,000
- D Dr. Sales FRW 600,000 Cr. Receivables FRW 600,000

(2 Marks)

QUESTION 18

Josiane is an Accountant at Nyabihu Trading Ltd. During the month of February 2023, the following transactions took place relating to accounts receivable. They started the Month of February with debit balance of FRW 2,580,000 and during the month the account had the following movements.

Date	Particular	Amount (FRW)
05/02/2023	Sold goods to Moses on credit	600,000
07/02/2023	Received payment from Receivables	1,200,000
10/02/2023	One client with debt of FRW 150,000 declared bankrupt by competent courts	150,000

Calculate the Accounts receivable closing balance as at end of February 2023

- A FRW 1,830,000
- B FRW 2,580,000
- C FRW 3,180,000
- D FRW 1,980,000

(2 Marks)

QUESTION 19

The total of the balances in a company's receivables ledger is FRW 860,000 more than the debit balance on its receivables control account.

Which one of the following errors could by itself account for the discrepancy?

- A The sales day book has been under cast by FRW 860,000.
- B Trade discounts totaling FRW 860,000 have been omitted from the general ledger.
- C One receivables ledger account with a credit balance of FRW 860,000 has been treated as a debit balance.
- D The cash received day book has been under cast by FRW 860,000.

(2 Marks)

QUESTION 20

Which of the following is not a reason for maintaining control accounts?

- A To check the accuracy of the transactions.
- B To facilitate the discovery of errors.
- C To facilitate in bank reconciliation.
- D To facilitate in providing total balances.

(2 Marks)

QUESTION 21 (use the case study below to answer this question and Q22)

Jeannette is a newly recruited accounts assistant in KAM Business Ltd. When she was recording a payment from a customer of FRW 586,400, she mistakenly posted FRW 568,400 while entering in books of accounts.

Which type of error did she commit in the above transaction?

- A Error of Commission.
- B Error of omission.
- C Error of principle.
- D Error of transposition.

(2 Marks)

QUESTION 22

How can this error be corrected in the books of KAM Business Ltd?

- A Dr. Accounts Receivable FRW 18,000 Cr Cash FRW 18,000
- B Dr. Cash FRW 18,000 Cr Accounts Receivable FRW 18,000
- C Dr. Cash FRW 586,400 Cr Accounts Receivable FRW 586,400
- D Dr. Cash FRW 568,400 Cr Accounts Receivable FRW 568,400

(2 Marks)

QUESTION 23

Which of the following appears on the credit side of a purchase ledger control account?

- A Purchases.
- B Cash paid.
- C Discounts received.
- D Returns outwards to suppliers.

(2 Marks)

QUESTION 24

Hakuzwimana Ltd is a company registered in Rwanda in service industry and their year ends in December each year. They pay their rent on quarterly basis and in advance. Their quarter starts on 1st November each year and they pay FRW 6,000,000 per quarter.

Calculate the total rent expense to be recognized in the profit or loss for the year ended 31st December 2022?

- A FRW 6,000,000
- B FRW 24,000,000
- C FRW 18,000,000
- D FRW 26,000,000

(2 Marks)

QUESTION 25

Kanombe Business Group is a company registered in accordance with company's act of Rwanda. Among other things the business does is renting different investment properties. During the year ended 31st December 2022, one of the tenants renting their investment properties had not paid for the last quarter that ended on 31st January 2023 an amount of FRW 4,800,000

How should this be recognized in the financial statements of Kanombe Business Group?

- A Dr. Accrued rent income (Statement of financial position) FRW 4,800,000, Cr Rental income (Statement of profit or loss) FRW 4,800,000
- B Dr. Accrued rent income (Statement of financial position) FRW 3,200,000, Cr Rental income (Statement of profit or loss) FRW 3,200,000
- C Dr. Accrued rent income (Statement of financial position) FRW 1,600,000, Cr Rental income (Statement of profit or loss) FRW 1,600,000
- D Dr. rent expense (Statement of profit or loss) FRW 3,200,000, Cr Accrued rental expense (Statement of financial position) FRW 3,200,000

(2 Marks)

QUESTION 26

Which of the following is not a reason for a business to write off a debt as irrecoverable debt?

- A Customer delaying to pay.
- B The customer has gone bankrupt.
- C The customer is out of business.
- D Customer not being honesty.

(2 Marks)

QUESTION 27

What is the double entry transaction for posting a payment received after several years being written off?

- A Dr. Bank Cr Cash.
- B Dr. Bank Cr Suspense Account.
- C Dr. Bank Cr Sundry Incomes.
- D Dr. Bank Cr Accounts receivable.

(2 Marks)

QUESTION 28

AZ Ltd had FRW 40,000 in their allowance for receivables account at the beginning of the financial year. Based on their experience of the year they expect 5% of their outstanding receivable balance at year end not to pay them. The total outstanding receivables at year end is FRW 1,250,000

What is their allowance for receivables account closing balance at the year end?

- A FRW 62,500
- B FRW 40,000
- C FRW 22,500
- D FRW 102,500

(2 Marks)

QUESTION 29

30th March 2023 the total amount owed to Jonathan by his customers was FRW 54,864,000. At the same date, Jonathan calculated that his receivables allowance is FRW 3,775,000.

How should these balances be reported in James' statement of financial position as at 30 March 2023?

- A FRW 51,089,000 as a current asset.
- B FRW 51,089,000 as a current liability.
- C FRW 54,864,000 as a current asset and RWF 3,775,000 as a current liability.
- D FRW 54,864,000 as a current liability, and RWF 3,775,000 as a current asset.

(2Marks)

QUESTION 30

James started the year with an opening inventory of FRW 1,456,200. During the year James purchased more inventory of FRW 5,850,000 but out of these FRW 1,800,000 were still in stock as at the year end.

What is the cost of sales for James for the year ended?

- A FRW 5,506,200
- B FRW 5,850,000
- C FRW 7,306,200
- D FRW 6,193,800

(2 Marks)

QUESTION 31

Jean Marie Vianney (JMV) is a sole trader dealing in buying and selling of some household items in Kacyiru Cell. During the year ended 31st December 2022, JMV bought an inventory item at FRW 130,000. It is expected that the item will be sold at FRW 150,000. However, it is expected that JMV will incur FRW 15,000 to transport this item to the selling point and FRW 10,000 to pay commissions to sales team.

What is the cost of this inventory to be included in the financial statements as per IAS 2 Inventory?

- A FRW 130,000
- B FRW 150,000
- C FRW 135,000
- D FRW 125,000

(2 Marks)

QUESTION 32

In times of rising prices, the FIFO method of inventory valuation, when compared to the average cost method of inventory valuation, will usually result in which of the following?

- A A higher profit and a lower closing inventory value.
- B A higher profit and a higher closing inventory value.
- C A lower profit and a lower closing inventory value.
- D A lower profit and a higher closing inventory value.

(2 Marks)

QUESTION 33

Which method of inventory valuation is used when issues are assumed to be taken from inventory in the order in which they were received?

- A Last in, first out.
- B First in, first out.
- C Periodic weighted average.
- D Continuous weighted average.

(2 Marks)

QUESTION 34

Which of the following is not a non-current asset as per IAS 16?

- A Motor vehicles.
- B Accounts receivable.
- C Plant and machinery.
- D Land and buildings.

(2 Marks)

QUESTION 35 (Use the below case study to answer this question, Q36, Q37 and Q38)

Christine & Co Ltd is a business dealing in provision of Accounting Advisory services in Rwanda. They own a motor vehicle they use to transport their staff to their clients' workplace. This vehicle was purchased 2 years ago at a cost of FRW 35,000,000. During the financial year end, the company disposed some of their used furniture that had original cost of FRW 14,000,000 with accumulated depreciation of FRW 6,800,000. This furniture was sold for FRW 5,000,000. It is the company's policy to charge full depreciation in the year of purchase and non in the year of disposal.

What would be the depreciation expense for the motor vehicle for the year ended if the company had opted for straight line method of depreciation over 5 years' useful life with no residual value?

- A FRW 35,000,000
- B FRW 7,000,000
- C FRW 21,000,000
- D FRW 14,000,000

(2 Marks)

QUESTION 36

What would be the Motor vehicle depreciation expense for the year ended if the company had opted for 20% reducing balance?

- A FRW 7,000,000
- B FRW 5,600,000
- C FRW 4,200,000
- D FRW 4,480,000

(2 Marks)

QUESTION 37

What is the gain or loss on the disposal of furniture?

- A FRW (2,200,000)
- B FRW 5,000,000
- C FRW 7,200,000
- D FRW 2,200,000

(2 Marks)

QUESTION 38

What is the accounting treatment for the disposal of the furniture?

- A Dr. Disposal of Furniture A/C FRW 14,000,000, Cr Furniture A/c FRW 14,000,000, Dr. Bank FRW 5,000,000, Cr. Disposal of Furniture A/C FRW 5,000,000.
- B Dr. Disposal of Furniture A/C FRW 14,000,000, Cr Furniture A/c FRW 14,000,000, Dr. Accumulated Depreciation FRW 6,800,000, Cr. Disposal of Furniture A/C FRW 6,800,000, Dr. Bank FRW 5,000,000, Cr. Disposal of Furniture A/C FRW 5,000,000.
- C Dr. Disposal of Furniture A/C FRW 14,000,000, Cr Furniture A/c FRW 14,000,000, Dr. Accumulated Depreciation FRW 6,800,000, Cr. Disposal of Furniture A/C FRW 6,800,000.
- D Dr. Bank FRW 5,000,000, Cr. Disposal of Furniture A/C FRW 5,000,000.

(2 Marks)

QUESTION 39

Which of the following is not applicable to exempt supplies in Rwanda?

- A Input tax attributed to them is not normally available for credit.
- B No VAT is charged on them.
- C They are not taken into account in determining whether a business should be registered for VAT.
- D VAT is charged on them at zero rate.

(2 Marks)

QUESTION 40

JB Business Ltd is a VAT registered retailer business operating in the city Market at Nyarugenge District. During the month of March 2023, they purchased some goods of FRW 800,000 VAT inclusive. They also incurred some business-related expenses worth FRW 158,400 VAT exclusive. 60% of the purchases made were standard rated supplies and 40% were zero rated supplies. VAT in Rwanda is 18%.

What is the total input VAT to be recovered for the month of March 2023?

- A FRW 150,546
- B FRW 114,912
- C FRW 101,732
- D FRW 146,197

(2 Marks)

QUESTION 41

When is the deadline for declaration and payment of the above VAT?

- A On 31st March 2023.
- B On 15th April 2023.
- C On 30th April 2023.
- D No deadline.

(2 Marks)

QUESTION 42 (The following information should be used for this question, Q43, Q44 and Q45)

Its Muhima Ltd is a retailer business dealing in selling of Motor vehicle spare parts. The business does not maintain proper records of information. During the investigation, the following were revealed

Items	Amount (FRW)
Receivables as at 01/01/2022	6,800,000
Receivables as at 31/12/2022	7,600,000
Payables as at 01/01/2022	3,860,000
Payables as at 31/12/2022	2,800,000
inventory as at 01/01/2022	4,600,000
Bad debts written off	380,000
Receipts from customers	12,800,000
Payments made to suppliers	8,900,000
Gross profit for the period	4,686,000

What is the total sales value for the period ended?

- A FRW 13,980,000
- B FRW 14,400,000
- C FRW 13,600,000
- D FRW 12,800,000

(2 Marks)

QUESTION 43

What is the total purchase for the period?

- A FRW 8,900,000
- B FRW 7,840,000
- C FRW 6,660,000
- D FRW 12,760,000

(2 Marks)

QUESTION 44

What is the cost of sales figure for the period ended?

- A FRW 8,114,000
- B FRW 8,914,000
- C FRW 9,294,000
- D FRW 9,714,000

(2 Marks)**QUESTION 45**

What is the closing inventory as at 31st December 2022?

- A FRW 1,966,000
- B FRW 3,420,000
- C FRW 4,206,000
- D FRW 3,146,000

(2 Marks)**QUESTION 46 (The following information will be used to answer this question to Q48)**

Barham Ltd is a business operating in the City of Kigali dealing Tourism sector. Below is an extract of their trial balance for the period ended 31st December 2022.

Items	Debit (FRW)	Credit (FRW)
Plant at cost	120,000,000	
Receivables as at 31/12/2022	17,300,000	
Motor vehicle at cost	12,800,000	
Accumulated depreciation for motor vehicle as at		2,800,000
Accumulated depreciation for plant		12,000,000
Depreciation expense for plant	1,200,000	
Depreciation expense for the motor vehicle	2,660,000	
Retained Equity		36,800,000
Ordinary share capital		62,056,000
Long term loan		28,000,000
Payables as at 31/12/2022		12,900,000
inventory as at 01/01/2022	11,500,000	
Bad debts written off	410,000	
Sales		40,000,000
Purchases	24,000,000	
Rent	4,686,000	
Inventory as at 31/12/2022	6,900,000	
Total	194,556,000	194,556,000

What is the profit/Loss for the period?

- A FRW 18,300,000
- B FRW 9,344,000
- C FRW 13,204,000
- D FRW (1,596,000)

(2 Marks)

QUESTION 47

What is the total Equity as at 31st December 2022?

- A FRW 108,200,000
- B FRW 98,856,000
- C FRW 62,056,000
- D FRW 36,800,000

(2 Marks)

QUESTION 48

What is the total asset as at 31st December 2022?

- A FRW 157,000,000
- B FRW 24,200,000
- C FRW 114,140,000
- D FRW 138,340,000

(2Marks)

QUESTION 49

Which of the following is likely not to appear in the partnership agreement?

- A Any salaries to be paid to partners
- B Interest to be paid to any loans to the partnership by partners
- C The profit to be made by the partnership
- D The proportion in which any residual profit is to allocated between the partners

(2 Marks)

QUESTION 50

What does a debit balance on a partner's current account indicate?

- A The firm owes the partner money
- B The partner owes the firm money
- C The partner's bank account is overdrawn
- D The firm has made a loss in recent years

(2 Marks)

End of question paper