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**CERTIFIED PUBLIC ACCOUNTANT**  
**FOUNDATION LEVEL 1 EXAMINATIONS**

**F1.3: FINANCIAL ACCOUNTING**

**DATE: TUESDAY 27, AUGUST 2024**

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**INSTRUCTIONS:**

1. **Time Allowed: 3 hours 15 minutes** (15 minutes reading and 3 hours writing).
2. This examination has **two** sections: **A & B**.
3. Section **A** has **one compulsory question** while section **B** has **four questions** and only **three questions** are to be attempted.
4. Marks allocated to each question are shown at the end of the question.
5. Show all workings where applicable.
6. Any assumptions made must be clearly and concisely be stated
7. The question paper should not be taken out of the examination room.

## SECTION A

### QUESTION ONE

a) IKEZA Ltd had two types of inventories (A and B). Inventory A had a cost of FRW 8,000 and a selling price of FRW 9,500. The selling cost of inventory A was FRW 600 and the company gives a trade discount of 10% of the selling price to their customers. As for inventory B, the cost of purchase was FRW 22,000 and the selling price was FRW 24,000 with selling cost of FRW 1,800 and no trade discount.

**Required:**

**Calculate the total value of closing inventory of inventory A and B in accordance to IAS 2 (Inventories)** (3 Marks)

b) IKEZA Ltd received a government grant of 40% towards financing the cost of purchase of a factory machine. The cost of purchase of the machine was FRW 25,000,000 and the life span of the asset is 5 years.

**Required:**

**Using the deferred income approach, calculate the amount of Government grant obligation to be recognised as a non-current liability and current liability in accordance to IAS 20 (Accounting for Government grant and disclosure of Government assistance)** (3 Marks)

c) IKEZA Ltd also sells domestic appliances with a warranty that covers the cost of repairs of any manufacturing defects that occur within the first year. If minor defects occurred in all goods sold, the cost would be FRW 2,000,000. If major defects occurred in all goods sold, the cost would be FRW 8,000,000. Based on IKEZAs past experience 80% of the goods sold will have no defects, 15% will have minor defects and 5% will have major defects.

**Required:**

**Calculate the total provision for the warranty claims to be recognised in accordance to IAS 37 (provisions, contingent assets and contingent liabilities)** (3 Marks)

d) The following has been extracted from Virunga Ltds' statement of financial position as at 31<sup>st</sup> December, 2022.

Non Current Asset	Cost	Accumulated Depreciation	Net Book Value
	FRW	FRW	FRW
Motor Vehicle	345,600,000	184,200,000	161,400,000

During the year ended 31<sup>st</sup> December, 2023, the following transactions took place in relation to motor vehicle.

**Assets disposed:**

	Disposal Date	Purchase Date	Original Cost	Disposal Proceeds
			FRW	FRW
Motor Vehicle A	31/March/2023	1/January/2020	44,000,000	8,000,000
Motor Vehicle B	30/June/2023	1/January/2019	60,000,000	10,200,000

**Assets Acquired:**

	Date	Cost
		FRW
Motor Vehicle C	1/October/ 2023	70,000,000

Straight line depreciation method was used for motor vehicle based on 5 years and estimated residual value of 10% of original cost.

Depreciation is applied from the date motor vehicle was bought to their disposal.

All transactions were through cheque.

**Required:**

**Prepare the following ledger accounts for the year ended 31<sup>st</sup> December, 2023**

- i) Motor vehicle non-current asset account** (3 Marks)
- ii) Disposal of motor vehicle account** (3 Marks)

e) The following list of balances was extracted from the books of Semakula at 30<sup>th</sup> April, 2023

	FRW
Capital (1/May/2022)	105,900,000
Trade receivables	9,200,000
Trade payables	4,400,000
Drawings	14,800,000
Sales	268,400,000
Purchases	124,600,000
Discount received	780,000
Discount allowed	480,000
Inventory (1/May/2022)	9,400,000
Salaries and wages	25,400,000

Rent and rates	16,200,000
Motor vehicle expenses	15,000,000
Machinery repairs	28,400,000
General expenses	5,200,000
Machine at cost	90,000,000
Machine accumulated depreciation up to 1/May/2022	16,000,000
Motor vehicle at cost	60,000,000
Motor vehicle accumulated depreciation up to 1/May/2022	12,000,000
Bank	8,800,000

**Additional Information:**

The following errors and omissions were discovered after the extraction of the balances.

1. A new motor vehicle costing FRW 30,000,000 bought during the year had been debited to the purchase account.
2. Purchase of goods on credit from Mahoro amounting to FRW 1,200,000 had been omitted from the books
3. A cheque of FRW FRW 807,000 paid for motor vehicle expenses was recorded in the cash book and motor vehicle expenses account as FRW 870,000.
4. Sales of goods on credit to Inshuti amounting to FRW 2,000,000 had been omitted from the books.
5. A cheque of FRW 689,000 paid for general expenses was recorded in cash book and the general expenses account as FRW 698,000.
6. The purchase of machine for FRW 17,000,000 had been debited to machine repairs account.

**Required:**

- i) Prepare journal entries with appropriate narratives to correct each of the errors & omissions (6 Marks)
  - ii) Prepare the trial balance as at 30 April, 2023 after adjusting for the errors (7 Marks)
- f) IMANA Ltd Accountant has provided you with the following trial balance and additional information for the year ended 31<sup>st</sup> December, 2023.

	Notes	FRW 000	FRW 000
Share capital at FRW 184 per share	(1)		184,000
Share premium	(1)		88,000
Retained Earnings (1st January, 2023)	(5)		202,940
Revenue			80,000
Cost of Sales		60,000	
Operating expenses		6,400	

Inventories		44,000	
Land	(3)	160,769	
Building	(3)	600,000	
Accumulated depreciation on Building			195,168
Office equipment	(4)	132,740	
Accumulated depreciation on office equipment			33,185
Trade receivables	(2)	67,200	
Trade payables			16,000
Tax payable			19,416
Finance cost		7,600	
Long term loan			200,000
Short term loan			60,000
		<b>1,078,709</b>	<b>1,078,709</b>

**Additional Information:**

1. During the year, IMANA Ltd issued 60,000 new ordinary shares at a market price of FRW 220 per share in exchange for cash. The accountant has not accounted for the issue as at 31<sup>st</sup> December, 2023.
2. A customer that owed IMANA Ltd FRW 2,200,000 has been declared bankrupt.
3. The land and building were purchased a few years ago and residual value of the building component was FRW 280,000,000. The depreciation of building is at a rate of 2% per annum straight line.
4. The office equipment was purchased two years ago on 1<sup>st</sup> January, 2022. The depreciation rate is at 25% reducing balance.
5. The net loss for the year ended 31<sup>st</sup> December, 2023 was calculated as FRW 27,508,750

**Required:**

**Prepare the statement of financial position for IMANA Ltd as at 31<sup>st</sup> December, 2023 showing all the relevant workings.**

Note: Do not prepare the statement of profit or loss for the year as the result is provided in the additional information 5

(10 Marks)

**(Total: 40 Marks)**

## SECTION B

### QUESTION TWO

INGABIRE is a sole trader who has been doing her business in the Northern Province of Rwanda. The following trial balance relates to INGABIRE for the period ended 31<sup>st</sup> May, 2023.

	Dr.	Cr.
	<u>FRW 000</u>	<u>FRW 000</u>
Purchases	122,600	
Revenue		192,100
Inventory (1st June, 2022)	25,000	
Property at cost	60,000	
Accumulated depreciation on property (as at 1st June, 2022)		10,000
Equipment at cost	40,000	
Accumulated depreciation on equipment (as at 1st June, 2022)		19,000
Return outwards		7,500
Receivables expense	2,300	
Wages and salaries	29,400	
Loan interest	2,550	
Trade payables		18,000
Trade receivables	19,000	
Other operating expenses	8,850	
Cash in hand	150	
Cash at bank	650	
Allowance for receivables		250
17% Long term loan		15,000
Drawings	12,000	
Capital (as at 1st June, 2022)	-	60,650
	<u>322,500</u>	<u>322,500</u>

#### **Additional Information:**

1. The inventory as at 31<sup>st</sup> May, 2023 was valued at FRW 21,000,000.
2. Depreciation for the year ended 31<sup>st</sup> May, 2023 is yet to be charged as follows:
  - Equipment 25% per annum reducing balance.
  - Property 2% per annum straight line.
3. Accrued wages and salaries amounted to FRW 400,000.
4. Operating expenses paid in advance amounted to FRW 150,000.
5. An adjustment is to be made on allowance for receivables as 2% of trade receivables.

**Required:**

- a) **Prepare statement of profit or loss for INGABIRE for the year ended 31<sup>st</sup> May, 2023.** (10 Marks)
- b) **Prepare statement of financial position for INGABIRE as at 31<sup>st</sup> May, 2023.** (10 Marks)
- (Total: 20 Marks)**

**QUESTION THREE**

a) A business is normally defined as a commercial or industrial entity which exists to deal in the manufacture, resale or supply of goods and services. Business ownership are normally bound to prepare financial statements which show the financial performance and position of the entity to serve a variety of users.

**Required:**

**Explain any five users of the financial accounts prepared by the business** (5 Marks)

b) On the 5<sup>th</sup> of January, 2024, AMANI Ltd was undertaking stock count when an accident occurred and half of all the stock were destroyed by fire and damaged beyond repairs. The goods were insured and the insurance company promised to compensate AMANI Ltd with FRW 30,000,000 of which FRW 9,500,000 were received on that date and were for unrelated claims for the previous year. The total value of the inventory as at 31<sup>st</sup> December, 2023 was FRW 24,000,000.

During the year ended 31<sup>st</sup> December, 2023, the company undertook restructuring and resolved that additional machinery were needed to increase production. New machines were purchased on 10<sup>th</sup> January, 2024 valued at FRW 18,000,000. On the same date, some plant that were held at the year end with a value of FRW 36,000,000 were deemed unusable and were to be replaced. The total value of the property, plant and equipment in the statement of financial position were FRW 450,000,000 as at 31<sup>st</sup> December, 2023. The date of Authorization of financial statements of AMANI Ltd was 15<sup>th</sup> January, 2024.

**Required:**

**In accordance with IAS 10 (Events after the reporting period) indicate which events are adjusting or not adjusting. For adjusting, show the amounts to be recognised in the financial statements of the year ended 31<sup>st</sup> December, 2023.** (5 Marks)

c) Muhanga Sports Club (MSC) is a sports association which is involved in sports talent development in Rwanda. The following is a summary of receipts and payments for the period ended 31<sup>st</sup> December, 2023.

<b>Dr.</b>	<b>Receipts and Payments account</b>		<b>Cr.</b>
<b><u>Receipts</u></b>	<b><u>FRW 000</u></b>	<b><u>Payments</u></b>	<b><u>FRW 000</u></b>
Bank Balance b/d (1/Jan/2023)	22,500	Electricity	2,400
Membership subscription	12,800	Coaching expenses	7,550
Sponsorship	4,850	Rent	2,540
Grants for daily operation of the club	2,300	Office stationary	1,200
Donations	3,068	Talent show expenses	1,320
Talent show	2,086	Telephone expenses	2,058
		Sports outfit expenses	3,600
		Equipment	6,350
		Balance c/d	
	-	(31/Dec/2023)	20,586
	<b><u>47,604</u></b>		<b><u>47,604</u></b>

The following information is also available as at 31<sup>st</sup> December, 2022 and 2023

	<b>2022</b>	<b>2023</b>
	<b><u>FRW 000</u></b>	<b><u>FRW 000</u></b>
Subscription in arrears	800	1,250
Subscription in advance	530	620
Electricity payables	650	540
Building (Net Book Value)	180,200	180,200
Equipment (Net Book Value)	26,400	30,400

**Required:**

- i) Prepare statement of accumulated affairs indicating the opening accumulated fund as at 1<sup>st</sup> January, 2023 (4 Marks)
  - ii) Prepare subscription account (2 Marks)
  - iii) Prepare an income and expenditure account for the year ended 31/December/2023 (4 Marks)
- (Total: 20 Marks)**



## QUESTION FOUR

HUYE Ltd a company operating in the construction industry in Rwanda has the following financial statements for the two years ended 31<sup>st</sup> December, 2022 and 2023.

### Statement of Profit or Loss for the year ended 31<sup>st</sup> December,

	2022		2023	
	FRW 000	FRW 000	FRW 000	FRW 000
Sales		3,818,904		4,038,868
Cost of sales:				
Opening inventory	545,066		584,580	
Purchases	2,440,280		2,583,176	
Closing inventory	584,580	2,400,766	625,178	2,542,578
Gross profit		1,418,138		1,496,290
Administrative expenses	568,492		567,788	
Distribution expenses	420,000	988,492	480,000	1,047,788
Profit before depreciation, interest and tax		429,646		448,502
Depreciation		111,304		113,524
Profit before interest and tax		318,342		334,978
Finance cost		47,660		36,428
Profit before tax		270,682		298,550
Income tax		24,000		23,100
Profit for the year		246,682		275,450

### Statement of Financial Position as at 31<sup>st</sup> December,

	2022		2023	
	FRW 000	FRW 000	FRW 000	FRW 000
<b>Non current assets</b>				
Motor vehicle		268,866		278,150
Equipment		71,662		56,752
Total non current assets		340,528		334,902
<b>Current assets</b>				
Inventories	584,580		625,178	
Receivables	949,336		992,806	
Cash and bank	45,252	1,579,168	34,990	1,652,974
Total assets		1,919,696		1,987,876
<b>Equity and liabilities</b>				
<b>Equity and liabilities</b>				
Share capital		300,000		300,000
Retained earnings		531,202		746,652
Total equity		831,202		1,046,652

<u>Non current liabilities</u>				
Loan		300,000		250,000
<u>Current liabilities</u>				
Short term loan	369,848		251,340	
Payables	394,646		416,784	
Current tax	24,000	<u>788,494</u>	23,100	<u>691,224</u>
Total equity and liabilities		<u>1,919,696</u>		<u>1,987,876</u>

**Required:**

- a) Calculate the following ratios from the financial statements provided for HUYE Ltd for the years ended 31<sup>st</sup> December, 2022 and 2023
- i) **Asset Turnover** (1 Marks)
  - ii) **Return on Capital Employed** (1 Marks)
  - iii) **Operating Profit Margin** (1 Marks)
  - iv) **Receivables Period** (1 Marks)
  - v) **Payables Period** (1 Marks)
  - vi) **Inventory Period** (1 Marks)
  - vii) **Interest Cover** (1 Marks)
  - viii) **Current Ratio** (1 Marks)
  - ix) **Quick Ratio** (1 Marks)
  - x) **Equity Gearing Ratio** (1 Marks)
- b) **Prepare a report to the directors of HUYE Ltd which analyses the financial performance of the company (Use the ratios calculated in (a) for the analysis).**  
(10 Marks)  
**(Total: 20 Marks)**

**QUESTION FIVE**

a) The following were extracted from the books of Muhabura Ltd by the close of December, 2022. Receivable's ledger control account FRW 142,800,000 and Payable's ledger control account FRW 112,200,000

During the year ended 31<sup>st</sup> December, 2023 the following transactions occurred

	<b>FRW</b>
Cash received from customers	95,400,000
Cash paid to suppliers	97,500,000
Sales on credit	144,600,000
Purchase on credit	109,500,000
Sales returns	5,700,000
Purchase returns	2,100,000
Discount received	1,200,000

	<b>FRW</b>
Settlement discount claimed by customers which was not expected	900,000
Bad debts written off	8,100,000
Customers and suppliers accounts settled by contra	6,300,000

**Required:**

- i) **Prepare Receivables ledger control account for the year ended 31 December 2023 and determine the balance at 31<sup>st</sup> December, 2023.** (6 Marks)
- ii) **Prepare Payables ledger control account for the year ended 31 December 2023 and determine the balance at 31<sup>st</sup> December, 2023.** (6 Marks)

b) The following information was extracted from the books of Ministry of Sports for the year ended 30<sup>th</sup> June, 2024.

	<b>FRW 000</b>
Receivables	1,350,000
Payables	3,375,000
Finance cost	675,000
Reserves	12,150,000
Wages and salaries	6,750,000
Cash	3,375,000
Computer equipment	1,800,000
Motor vehicles	1,575,000
Land and building	23,625,000
Transfer to other ministries	3,375,000
Transfer from other ministries	337,500
Accumulated fund	5,062,500
Liability for long term benefits	1,350,000
Inventory	675,000
Transfer from MINECOFIN	16,875,000
Fees, fines and licenses	3,375,000
Long term borrowing	6,750,000
Supplies and consumables used	2,700,000
Revenue from exchange transactions	675,000
Other revenues	4,050,000

	<b>FRW 000</b>
Other expenses	8,100,000

Surplus for the year ended 30<sup>th</sup> June, 2024 from the statement of financial performance was FRW 3,712,500,000.

**Required:**

**Using the information provided above, prepare for the Ministry of Sports statement of financial position as at 30<sup>th</sup> June, 2024**

(8 Marks)

**(Total: 20 Marks)**

**End of Question Paper**