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**CERTIFIED ACCOUNTING TECHNICIAN**  
**STAGE 3 EXAMINATION**  
**S3.1: FINANCIAL ACCOUNTING**  
**DATE: MONDAY 26, FEBRUARY 2024**

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**INSTRUCTIONS:**

1. **Time allowed: 3 hours.**
2. This examination has **three** sections: **A, B and C.**
3. Section **A** has **10 multiple choice questions** equal to 2 marks each.
4. Section **B** has **2 questions** equal to 10 marks each.
5. Section **C** has **3 questions** equal to 20 marks each.
6. All questions are compulsory.
7. The question paper should not be taken out of the Examination room.

## SECTION A

### QUESTION ONE

**Which of the following are the differences between a partnership and a limited liability company in Rwanda?**

- A Both partnership partners and companies pay taxes imposed by government
- B Liability of partners is unlimited while that of company is limited.
- C Only companies have capital invested into the business this a similarity
- D Partners in partnership receive share of profits based on capital contribution while shareholders receive dividends when companies make profit alone, which is not true preference dividend must be paid whether company make profit or not

**(2 Marks)**

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### QUESTION TWO

Kwesi and Ruhango are both employees of the same company based in Musanze. Kwesi is a financial accountant while Ruhango is a management accountant, they are seeking your advice on the difference between their role as they consider an accountant to be accountant.

Among the following, **what should be the correct advice to them?**

- A Management accounting is purely for internal purposes unlike financial accounting for internal and external
- B Management accounting information is a must to be prepared as per IAS and must be published
- C Both financial accounting and management accounting is governed by standards
- D All of the above

**(2 Marks)**

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### QUESTION THREE

**Which one of the following is the main fundamental characteristics that explain faithful representation of a good financial information?**

- A Complete, neutral and free from error
- B Complete, timely, neutral and free from error
- C Material, timely and based on standards
- D All of the above

**(2 Marks)**

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### QUESTION FOUR

The following scenarios have been provided to you for financial advice

Company F is a group company that owns shares in other companies as follows:

- (i) Company F has 12% of the voting rights in Company S giving no control
- (ii) Company F has 20% of the voting rights in company S and also has the right to appoint or remove all the directors of Company S.

(iii) Company F has 10% of the voting rights in S, plus supply 80% of the key raw materials

**Which of these scenarios does not show a significant influence?**

- A (i), (ii), and (iii)
- B (i) and (ii)
- C (ii) and (iii)
- D (i) only

**(2 Marks)**

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### **QUESTION FIVE**

NIDAK Solutions Ltd operates transport company in Nyarugenge, at the beginning of the year 2023 the company acquired a new lorry for FRW 18 million in addition to the existing vehicles with a revalued book value of FRW 36 million as at 31 December 2022. The directors of the company made a decision on 31<sup>st</sup> June 2023 to exchange one of the old vehicles which had cost of FRW 3 million three years ago for FRW 1 million for a new one costing FRW 7 million. if the company provides depreciation at a rate of 12% on straight line basis per annum proportionately based

**Which one of the following is the net book value of the vehicles at year end?**

- A FRW 52.18 million
- B FRW 53.1 million
- C FRW 51.76 million
- D FRW 51.1 million

**(2 Marks)**

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### **QUESTION SIX**

**Which of the following is a condition that must be met before a contingent asset is recognised as an asset in the financial statements?**

- A When the flow of economic benefit associated with the asset becomes remote.
- B When the flow of economic benefit associated with the asset becomes receivable.
- C When the flow of economic benefit associated with the asset becomes probable.
- D When the flow of economic benefit associated with the asset becomes possible.

**(2 Marks)**

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### **QUESTION SEVEN**

**Which of the following controls can be used to ensure that there is no overstated claims by employees working overtime and paid on the basis of extra time?**

- A Employees to fill the overtime forms which should be signed
- B Employees to work under a supervisor who should fill the overtime forms and signed by employees

- C Overtime pay should be recorded in books of accounts and paid by different person
- D Overtime should be paid differently with Normal pay

(2 Marks)

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#### QUESTION EIGHT

**Which one of the following is a limitation of internal control systems?**

- A Employees may deliberately circumvent the controls
- B The cost of the internal controls system always outweighs the benefits
- C They are subject to change based on change of business environment
- D A and C

( 2 Marks)

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#### QUESTION NINE

**Which of the following is an example of Efficiency ratios?**

- A Quick ratio.
- B Debt ratio.
- C Interest cover.
- D Asset turnover ratio.

(2 Marks)

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#### QUESTION 10

**Among the following, which one is not a characteristic of public sector in Rwanda?**

- A The primary objective is to provide services to the public without payment for the service
- B They are mainly funded through taxes imposed by government agencies
- C Their financial year and standards applicable in preparation of financial statements are different from those of the private sector.
- D B and C

(2 Marks)

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## SECTION B

### QUESTION 11

(a) As at June 2022, the company had the following capital structure:

Details	FRW
Ordinary shares (10,000 shares of FRW 30 each).	300,000
Share premium	75,000
Retained profit	320,000
Preference shares (4,000 shares of FRW 30)	120,000

During the year ended the company made a bonus issue of one share for every five-share held using the retained profit, subsequently a right issue of one for every three held at FRW 30. In 2023 financial year converted half of the preferences shares into ordinary shares by approval of shareholders meeting at par value.

**Required:**

**Calculate the new final capital structure at the end of year 2023.** (5 Marks)

(b) Meza Ltd is private company operating as a supplier of electronics within Kigali and adjacent towns within Rwanda. They have provided the following information for consideration in financial statements for the year ended November 2023

1. They give warranty to its customer for all new electronics and the statistics show that 15% of sale give rise to warranty claims
2. The company expects to receive a compensation of FRW 10 million due to breach of contract by one of a major supplier
3. The revenue authority has imposed fine of FRW 8 million for failure to renew license on time which is subject to confirmation by court law that is pending
4. The company guaranteed a loan of FRW 50 million to one of its subsidiary companies and the subsidiary company is unable to pay the loan The likely hold of the liability has been assessed as possible

**Required:**

**Explain the effect of each of the case above to the financial statements of Meza Ltd.** (5 Marks)  
**(Total: 10 Marks)**

## QUESTION 12

(a) The various parties interested in the financial statements of a company are sometimes referred to as stakeholders. Although they will each judge the financial statements by different criteria, they will all gain assurance from learning that what they are reading has been subject to an independent review.

**Required:**

As an accountant, **discuss four key interest of creditors and two key interests of government in financial statement of the company.** (6 Marks)

(b) Recently many of the fast-growing companies in Rwanda have of late been adopting use management information systems to facilitate their operations including financial accountant

**Required:**

**Explain the purposes of these management information systems within these companies in Rwanda?** (4 Marks)

**(Total: 10 Marks)**

## SECTION C

### QUESTION 13

(a) In accordance with IAS 1, briefly explain key components of financial statement that are considered as change in the statement of changes in equity as at the end of financial year and disclosures recognized in the financial statement. (5 Marks)

(b) Below is a trial balance of Rubavu Ltd, that has been prepared by the junior accountant for the period ended 31<sup>st</sup> December 2023.

Description	FRW "000"
Revenues	105,000,000
Return inwards	600,000
Cost of sales	67,600,000
Operating expenses	22,000,000
Discount received	1,800,000
Provision for bad and doubtful debts	2,400,000
Administrative expenses	18,000,000
Finance cost	3,000,000
Tax payables as at 31 <sup>st</sup> December 2022	2,000,000
Commercial land	5,000,000
Rusinzi Commercial Building	12,000,000
Kigali Commercial Building	32,000,000
Plant and machinery	24,000,000
Accumulated depreciation	12,000,000
Office Equipment	4,000,000
Inventories	42,000,000
Investment income	34,000,000
Cash and bank	7,200,000
Trade Receivable	32,400,000
Share capital	98,000,000
Share premium	16,000,000
Revaluation surplus	14,000,000
Retained earnings (31 <sup>st</sup> December 2022)	38,400,000
Long-term Loan	40,000,000
Trade Payables	9,000,000
Tax payable (31 <sup>st</sup> December 2023)	4,200,000

#### **Additional Information:**

1. During the month of March 2023, the company was sued by a revenue authority due to under declaration of income for tax evasion. The company lost the case and was ordered by the court to pay FRW 3 billion to the revenue authority within two months.
2. Inventories with a carrying value of FRW 1,200,000,000 was damaged and could only recover FRW 950,000,000 after evaluation by an expert. This had not been accounted for in the inventories reflected in the trial balance.

3. One of the plants and machinery with a useful life of 6 years was disposed in December 2022, the machine was acquired in January 2019 at a cost FRW 2,400,000,000. The accountant had erroneously accounted for its depreciation which has been included in the administration expense.
4. The provision for bad and doubtful debts was adjusted to FRW 2,200,000,000 since the balance was only as reflection of the previous year balance.
5. Rubavu Ltd decided to cease its operations in Rusinzi commercial building at year end and leased it out under an operating lease which will generate a monthly rental income of FRW 20,000,000. effective next year. Due to business uncertainties, the management agreed to repair the building before leasing. These costs have not been included in the trial balance even though the cost of repairs was FRW 100,000,000 for the building.
6. The financial statement audit started 15<sup>th</sup> January 2023, and as part of auditing receivables, they requested confirmations from all customers with material closing balances. A customer that owed Rubavu Ltd FRW 1,640,000,000 was confirmed to be bankrupt by court of law in March 2023.
7. At 30<sup>th</sup> June of the 2023 Rubavu Ltd borrowed a loan at 14% of FRW 24,000,000,000 from a local bank and only half of this amount was received, due to existing loan that had not been previously cleared on time, the principal amount was correctly recorded in books of accounts, however the resulting interest expense is yet to be recorded.

**Required:**

**Prepare the statement of profit or loss and other comprehensive income for the year ended 31<sup>st</sup> December 2023.**

(15 Marks)

**(Total: 20 Marks)**



## QUESTION 14

The following statements of financial position were extracted from the books of two companies. Yego Ltd and Meza Ltd as at 31<sup>st</sup> December 2023.

	<b>Yego Ltd</b>	<b>Meza Ltd</b>
<b>Description</b>	FRW''000''	FRW''000''
<b>Non-current assets</b>		
Property, plant and Equipment	126 000	42,000
Investment shares in Meza Ltd	81,000	
<b>Total Non-current Assets</b>	<b>207,000</b>	<b>42,000</b>
Current Assets	250,000	36,000
<b>Total Assets</b>	<b>457,000</b>	<b>78,000</b>
<b>Equity</b>		
Share capital	210,000	20,000
Share premium	80,000	15,000
Retained Earnings	95,000	18,000
<b>Total share capital</b>	<b>385,000</b>	<b>46,000</b>
Current Liabilities	72,000	25,000
<b>Total capital and liabilities</b>	<b>457,000</b>	<b>78,000</b>

### Additional Information:

1. Yego Ltd acquired all of the share capital of Meza Ltd one year ago. The retained earnings of Meza Ltd stood at FRW 8,000,000 on the day of acquisition. Goodwill is calculated using the fair value method and there has been no impairment of goodwill since the acquisition.
2. During the year, Meza Ltd had sold goods worth FRW 60,000,000 to Yego Ltd at FRW 80,000,000, a quarter of these goods were in store as the year end and yet to be paid to Meza Ltd
3. One of the properties and equipment from Yego Ltd was revalued upwards by FRW 2,000,000 at year end, this transaction has not been accounted for in the books of account.

### Required:

**Prepare the consolidated statement of financial position of Yego Ltd as at 31<sup>st</sup> December 2023.**

(20 Marks)

**(Total: 20 Marks)**

### QUESTION 15

The following financial statements have been provided by Kwesa Ltd for years of 2022 and 2023  
**Income Statement for two Years 2022 and 2023.**

	<b>Year 2022</b>	<b>Year 2023</b>
<b>Details</b>	<b>FRW"000"</b>	<b>FRW"000"</b>
Sales	956,500	879,500
Less cost of sales		
Opening stock	87,000	99,500
Purchases	602,000	589,500
Less closing stock	144,500	149,000
Cost of sales	(544,500)	(510,000)
Gross profit	412,000	369,500
Less expense's		
Selling and distribution	42,000	30,000
Depreciation	8,400	10,000
Total expenses	(234,400)	(175,000)
Earnings before interest and tax	186,000	194,500
Less interest	15,000	15,000
Earning before tax	171,000	179,500
Less tax	111,000	75,000
<b>Net profit</b>	<b>60,000</b>	<b>104,500</b>

### Statement of Financial Position for Two Years 2022 and 2023.

<b>Details</b>	<b>Year 2022 FRW "000"</b>	<b>Year 2023 FRW "000"</b>
<b>Non- Current Assets</b>		
Land and Buildings	250,000	360,000
Plant & Machinery	80,000	72,000
<b>Total Non-Current Assets</b>	<b>330,000</b>	<b>432,000</b>
<b>Current Assets</b>		
Inventory	149,000	126,500
Receivables	80,090	69,500
Less: Provision	4,000	4,200
Cash	24,900	36,700
<b>Total Assets</b>	<b>579,990</b>	<b>660,500</b>
<b>Financed By</b>		
Issued share capital (20000 share of FRW10 each	200,000	300,000
Share premium	9,000	23,000
Retained profit	60,000	164,500
<b>Total Equity</b>	<b>350,000</b>	<b>339,450</b>
<b>Long term Liabilities</b>	<b>90,990</b>	<b>150,000</b>

Current Liabilities	13,000	28,000
<b>Total Liabilities</b>		
<b>Total Capital and Liabilities</b>	<b>579,990</b>	<b>660,500</b>

**Required:**

(a) Calculate the following ratios for the year 2022 and 2023? Assume of the current liabilities are usually payables,

1. Return on capital employed. (1 Mark)
2. Cash ratio (1 Mark)
3. Receivables collection period (1 Mark)
4. Payable period. (1 Mark)
5. Acid test ratio. (1 Mark)
6. Total assets turnover (1 Mark)
7. Operating efficiency ratio (1 Mark)
8. Cost of sales ratio (1 Mark)
9. Gearing ratio. (1 Mark)
10. Debt to equity ratio (1 Mark)

(b) Interpret the above ratios while giving relevant trends to the company as a financial expert. (10 Marks)

**(Total: 20 Marks)**

**End of question paper**

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