



**CERTIFIED PUBLIC ACCOUNTANT
FOUNDATION LEVEL 1 EXAMINATIONS
F1.3: FINANCIAL ACCOUNTING
DATE: TUESDAY 27, FEBRUARY 2024**

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** to be attempted.
4. Section **B** has **four questions, three questions** to be attempted.
5. Marks allocated to each question are shown at the end of the question.
6. Show all your workings where applicable.
7. Any assumptions made must be clearly and concisely stated.
8. The question paper should not be taken out of the examination room.

SECTION A

QUESTION ONE

(a) Accounting as a process requires the application of principles, concepts and convention in the preparation of financial statements.

Required:

In light of the above statement of fact, **explain the following concepts as used in accounting**

- (i) **Accrual concept** (2 Marks)
- (ii) **Prudence concept** (2 Marks)
- (iii) **Materiality concept** (2 Marks)
- (iv) **Duality aspect concept** (2 Marks)
- (v) **Matching concept** (2 Marks)

(b) Turbo Ltd is a manufacturing company operating in the republic of Rwanda. Its principal activity is the manufacture of farm inputs which include but not limited to fertilizer and animal feeds for both local customers and export. Presented below is the trial balance for the financial year ended 31st December 2023.

Details of account titles	FRW '000'	FRW '000'
Opening inventory of raw materials	50,000	
Opening work in progress	75,000	
Opening inventory of finished goods	100,000	
Raw materials procured	580,000	
Cost of materials returned back to suppliers		15,000
Carriage in ward for cost of raw materials	25,000	
Direct labour cost	150,000	
Other direct costs	55,000	
Factory building at cost	500,000	
Factory building accumulated depreciation (31-Dec-22)		125,000
Plant at cost	800,000	
Plant accumulated depreciation as at (31-Dec-22)		200,000
Delivery van at cost	100,000	
Delivery van accumulated depreciation (31-Dec-22)		25,000
Electricity and water cost	20,000	
Salaries and wages	120,000	
Rent expense	25,000	
Advertising cost	10,000	
Selling and distribution cost	40,000	
Carriage outwards	50,000	
Bad debts written off	20,000	
Auditing expenses	5,000	
Repair and maintenance	6,000	

Fuel cost	50,000	
Travelling costs	10,000	
Communication cost	2,000	
Staff motivation cost	1,000	
Sales		2,109,000
Sales returns	100,000	
Cash and bank balances	400,000	
Trade receivables	340,000	
Trade payables		60,000
Bank loan		250,000
Share capital		500,000
Share premium		50,000
Revenue reserve as at 31 st December 2022		250,000
Revaluation reserve as at 31 st December 2022		50,000
	<u>3,634,000</u>	<u>3,634,000</u>

Additional information:

- Expenses are apportioned as follows

Expense	Factory	Office
Rent	60%	40%
Electricity and water	75%	25%
Repair and maintenance	50%	50%
Fuel	80%	20%

- Depreciation is charged as following

Factory building - 5% on cost
Plant – 25% on reducing balance
Delivery van 25% on reducing balance

- Direct labor cost outstanding as at 31 December 2023 amounted to FRW 50 million.
- Inventories as at 31 December 2023 were as follows;
 - Raw materials FRW 45,000,000
 - Work in progress FRW 90,000,000
 - Finished goods FRW 150,000,000
- Corporation tax payable as at 31st December 2023 was FRW 201,250,000

Required:

Prepare;

- Turbo Ltd manufacturing account for the year ended 31st December 2023. (10 Marks)
 - Turbo Ltd trading profit or loss account for the year ended 31st December 2023. (12 Marks)
 - Turbo Ltd statement of financial position as at 31st December 2023. (8 Marks)
- (Total: 40 Marks)**

SECTION B

QUESTION TWO

(a) IAS 2-Inventory provides the guidance for inventories valuation and treatment in the books of accounts and financial statements.

Required:

In reference to IAS 2 (Inventories) explain any two reasons why inventory is re-measured at the end of the financial year before being included in the final accounts. (4 Marks)

(b) KAY Ltd is a construction company operating in Kigali city.

The following are the information on company assets as at 1 January 2023.

Asset	Cost	Accumulated depreciation	Net book value
	FRW"million"	FRW"million"	FRW"million"
Land	750	-	750
Buildings	500	150	350
Plant and machinery	400	250	150
Motor vehicles	600	240	360

Additional information:

1. The management of KAY Ltd engaged a land professional valuer, the land valuation report showed that land was valued to FRW 900 million for the year ended 31st December 2023.

Depreciation is provided as follows:

- Buildings 5% using straight line method.
 - Plant and machinery 25% on reducing balance method.
 - Motor vehicles 25% on reducing balance.
 - The company provides for a full year depreciation charge in the year of acquisition and none in the year of disposal.
2. On 1st April 2023 the company acquired new machine costing FRW 150 million.
 3. A motor vehicle which was acquired in the year 2020 at a cost FRW 100 million was disposed off on 31st October 2023 for FRW 45 million.
 4. On 1st November 2023 KAY Ltd management disposed off one of their buildings with a carrying value of FRW 150 million for FRW 180 million and used the sale proceeds to acquire another building costing FRW 200 million. The old building was acquired in the year 2019 and had been depreciated since till 31st December 2022.

Required:

Using the above information, **prepare the property, plant and equipment schedule clearly indicating the movement of each asset for the year ended 31st December 2023. (16 Marks)**

(Total: 20 Marks)

(b) The purchases ledger control account clearly showing the credit closing balance as at 31st December 2023.

(10 Marks)

(Total: 20 Marks)

QUESTION FOUR

The following account balances and transactions were obtained from the financial records of Nyandwi enterprises for the year ended 31st December 2023

Account balance as at 1st Jan 2023	Dr (FRW)	Cr (FRW)
Cashbook – cash column	2,500,000	-
Cashbook – bank column		500,000
Trade receivables	1,200,000	
Trade payables		750,000
Motor vehicle at cost	6,500,000	
Buildings at cost	10,000,000	
Share capital		20,000,000
Share premium		200,000
Office furniture	1,250,000	
Total	<u>21,450,000</u>	<u>21,450,000</u>

Transactions during the year were as follows:

1. On 1st January 2023 cash amounting to FRW 2,000,000 was banked.
2. On 15th January 2023 all the trade payables were paid by cash.
3. On 31st January 2023 company received the cash owing from customers.
4. On 31st January 2023 Nyandwi enterprises bought goods on credit as follows;
 - ABC Ltd FRW 1,000,000
 - XYZ Ltd FRW 1,200,000
 - PQR Ltd FRW 1,500,000
5. On 30th March 2023 Nyandwi enterprises made sales on credit as follows:
 - DD Ltd FRW 1,800,000
 - KK Ltd FRW 2,000,000
 - MM Ltd FRW 2,500,000
6. On 31st May 2023 they issued 100,000 new shares for cash at FRW 120 each (par value FRW 100)
7. On 31st July 2023 received payments from customers via cheque at discount as follows:
 - DD Ltd FRW 1,710,000 (in full settlement of their balance)
 - KK Ltd FRW 1,900,000 (in full settlement of their balance)
 - MM Ltd FRW 2,375,000 (in full settlement of their balance)
8. On 31st August 2023 the company cleared all trade payables via cheque after receiving a cash discount of 5% from each supplier.
9. On 31st December 2023 the business motor vehicle was sold for FRW 5,000,000 on cash (Carrying value was FRW 4,875,000).

Required:

Prepare the following ledger accounts;

- (a) **Cashbook (clearly showing cash and bank columns)** (11 Marks)
(b) **Trade receivables account (single account for all transactions)** (5 Marks)
(c) **Trade payables account (single account for all transactions)** (4 Marks)
(Total: 20 Marks)

QUESTION FIVE

(a) The accounting process requires total adherence to the accounting conventions, concepts, generally acceptable accounting principles as well as standards both locally and globally. Accountants are therefore obliged to be acquainted with applicable standards in private sector as well as public sector.

Required:

As a financial accounting trainee and future accountant, **brief explain 4 functional differences between IPSAS 17 (Property, plant and equipment) and IAS 16 (Property, plant and equipment).** (8 Marks)

(b) The following financial data is from the ministry of investment and trade of the republic Rwanda for the fiscal year that ended that ended 31st December 2023

Details	(FRW “million”)
Accumulated surplus as at 1 st January 2023	75
Cash and cash equivalent	50
Reserves	180
Trade and other receivables	20
Inventory	10
Transfers from exchequer	250
Fees, fines and licenses	50
Reserves from exchange transactions	10
Transfers from other ministries	5
Other revenues	60
Trade and other payables	50
Property, plant and equipment	400
Salaries and wages	100
Transfers to other ministries	50
Supplies and consumables used	40
Other expenses	120
Finance cost	10
Long term finance lease	80
Other long-term borrowings	20
Liability for long term employee benefits	20

Required:

Prepare in accordance with IPSAS 1 (Presentation of financial statements)

(i) Statement of financial performance for the year ended 31st December 2023. (6 Marks)

(ii) Statement of financial position as at 31st December 2023. (6 Marks)

(Total: 20 Marks)

End of question paper