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**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATIONS
S2.1: PREPARATION OF BASIC ACCOUNTS**

DATE: WEDNESDAY 29, MAY 2024

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.**

SECTION A

QUESTION ONE

According to IAS 2 Inventories, which one of the following costs should be included in valuing the inventories of a manufacturing company?

- A Carriage inwards
- B Carriage outwards
- C General administrative overheads
- D Salary cost

(2 Marks)

QUESTION TWO

Most businesses keep a small amount of cash on the premises to make occasional small payments in cash. These are normally recorded in petty cash. During October 2022, TIBO Ltd, a company that has an imprest amount of FRW 1,000,000 per month paid the following items: FRW 10,000 to buy stationery, FRW 15,000 to the office cleaner, FRW 4,000,000 to main supplier of raw materials, FRW 4,000 for taxi fares, and FRW 10,000,000 to acquire a machine.

What total amount would be recorded into petty cash for the month of October 2022?

- A FRW 29,000
- B FRW 14,029,000
- C FRW 4,029,000
- D FRW 10,029,000

(2 Marks)

QUESTION THREE

In the year to 30 April, 2022 KARAMU's sales were FRW 182,000,000. All of his sales were made at a markup of 30%. His opening inventory value was FRW 11,800,000 and his closing inventory value was FRW 9,700,000.

Which of the following is the value of karamu's purchases in the year to 30 April 2022?

- A FRW54,600,000
- B FRW137,900,000
- C FRW142,100,000
- D FRW161,500,000

(2 Marks)

The following information will be used on Question 4, 5 and 6

Musanze business is manufacturing company specialized for making flour using 'Maize'. The following information relates to the acquisition and maintenance of flour making machine and contains both capital and revenue expenditure.

	FRW
Purchase price of machine	186,000
Fuel to run the engine	68,000
Custom duties and taxes at Magerwa	50,000
Insurance for the year	15,000
Installation and testing of machine at Musanze market	20,000
Freight and insurance in transit from Uganda	74,000
Maintenance of machine	64,000
Total	477,000

QUESTION FOUR

What is the total capital expenditure for Musanze business as per the above information?

- A** FRW 186,000
- B** FRW 330,000
- C** FRW 310,000
- D** FRW 398,000

(2 Marks)

QUESTION FIVE

What is the total revenue expenditure for Musanze business as per the above information?

- A** FRW 477,000
- B** FRW 64,000
- C** FRW 147,000
- D** FRW 79,000

(2 Marks)

QUESTION SIX

The correct double entry to record the capital expenditure obtained in question 30 will be?

- A** Dr Machinery Account
Cr Bank/Cash/Creditor/other asset(s) Account(s)
- B** Dr Cash/ Creditor Account
Cr Machinery Account
- C** Dr Profit or loss Account
Cr Cash/Creditor Account
- D** Dr Asset Account
Cr Capital Account

(2 Marks)

QUESTION SEVEN

When using an extended trial balance to prepare her final accounts, Mary decided that she needed to make an allowance for receivables

Into which columns will balances be extended?

Statement of profit or loss

Statement of financial position

- | | | |
|----------|--------|--------|
| A | Debit | Debit |
| B | Debit | Credit |
| C | Credit | Credit |
| D | Credit | Debit |

(2 Marks)

QUESTION EIGHT

Trader is registered for VAT. During a period, they have sales of FRW4,720,000 including VAT at 18% and purchases of FRW2,500,000 excluding VAT.

Which of the following is the amount is owed to or due from the tax authorities at the end of the period?

- A** FRW 849,600
- B** FRW 450,000
- C** FRW 2,220,000
- D** FRW 270,000

(2 Marks)

QUESTION NINE

MUZURI runs a business as a sole trader. They maintain accounting records in the form of cash books, a receivables ledger, a payables ledger (all of which are part of the double entry) and a General Ledger.

The following transactions have taken place in during the month of October 2021.

- 1) The opening balance in the receivables ledger control account was FRW 500,000 (Debit) and there was zero balance in payables ledger control account at the beginning of the month.
- 2) During the month, FRW 475,000 of goods were sold to R-Martins on credit.
- 3) A credit note for FRW 105,000 was issued to M-Felix for goods returned.
- 4) FRW 3,175,000 of goods were purchased for resale from Rachel on credit.
- 5) They issued a cheque of FRW 3,000,000 to Rachel.

What will be the balance in the in receivables ledger control account?

- A** FRW 870,000 (Debit)
- B** FRW 870,000 (Credit)
- C** FRW 1,080,000 (Debit)
- D** FRW 175,000 (Credit)

(2 Marks)

The following information relates to Question 10 and 11

The following trial balance was extracted from the books of Dan, a furniture store, on 31 December 2019. The authorized share capital is FRW 350,000 ordinary shares at FRW 1 each
Trial balance of Swan Ltd as at 31 December 2019.

Details	DR FRW “000”	CR FRW “000”
Turnover (cash sales)		320,000
Cash purchases	160,000	
Import duty	6,000	
Opening stock 1/1/2019	14,000	
Opening stock 31/12/2019		17,000
Loan interest	7,000	
Wages	16,800	
Advertising	12,000	
Reserves		18,000
Motor vehicles	200,000	
Equipment	230,000	
Cash	2,000	
Bank overdraft		2,800
Debtors and creditors	23,000	3,000
Dividends paid	20,000	
14% 40-year loan		50,000
Issued share capital: 250,00 FRW 1 ordinary shares		280,000
Total	690,800	690,800

Note: that depreciation for motor vehicle is 10% while equipment is 8%

QUESTION 10

Which of the following is the gross profit/loss for the period?

- A FRW 163,000
- B FRW 157,000
- C FRW 483,000
- D FRW 337,000

(2 Marks)

QUESTION 11

Which of the following is the net profit/loss for the period?

- A FRW 82,800
- B FRW 74,200
- C FRW 231,200
- D FRW 320,000

(2 Marks)

QUESTION 12

Masizi received a rent income of FRW 9,456,000 related to the year ending 30 April 2022 while they had an opening prepaid income of FRW 706,000. By the end of the year, there was no closing balance of prepaid rent income.

What would appear in Masizi's trial balance for rent income for the year ended 30 April 2022?

- A FRW 10,162,000 debit
- B FRW 8,750,000 credit
- C FRW 8,750,000 debit
- D FRW 10,162,000 credit

(2 Marks)

QUESTION 13

At 31 December 2021, the following matters require inclusion in a company's financial statements:

- 1) On 1 January 2021 the company made a loan of FRW 12 million to an employee, repayable on 30 June 2022, charging interest at 2% per year in arrears. On the due date the employee repaid the loan and paid the whole of the interest due on the loan to that date. Loan to employees are classified as short-term investment.
- 2) The company paid insurance of FRW 9 million in 2021, covering the year ending 31 August 2022.
- 3) In January 2022 the company received rent from a tenant FRW 4 million covering the six months to 31 December 2021. For these items,

What total figures should be included in the company's statement of financial position at 31 December 2021?

Receivables and prepayments	Payables and accruals
FRW '000'	FRW '000'
A 22,000	240
B 22,240	Nil
C 10,240	Nil
D 16,240	6,000

(2 Marks)

QUESTION 14

On 1 July 2021, Micheal bought a new machine at a cost of FRW 12,500,000 with a useful life of 5 years. Micheal uses straight line pro-rata basis method to depreciate assets.

What double entry would correctly record depreciation for the year ended 31 December 2021?

- A** Dr Depreciation expense A/c FRW 1,250,000
Cr Accumulated Depreciation A/C FRW 1,250,000
- B** Dr Depreciation expense A/C FRW 2,500,000
Cr Accumulated Depreciation A/C FRW 2,500,000
- C** Dr Accumulated Depreciation A/C FRW 2,500,000
Cr Depreciation expense A/C FRW 2,500,000
- D** Dr Accumulated Depreciation A/C FRW 1,250,000
Cr Depreciation expense A/C FRW 1,250,000

(2 Marks)

QUESTION 15

Fred and Ziad are in partnership. The balances on their capital and current accounts at the start of the financial year were as follows:

	Fred	Ziad
	FRW “000”	FRW “000”
Capital account	100,000	50,000
Current account	12,000 credit	14,000 credit

Ziad is paid a salary of FRW40,000,000 per year. Both partners take interest on capital at 6% per year. The residual profits are shared between Fred and Ziad in the ratio 4:3. During the year just ended, the partnership profit was FRW199,500,000 and Fred drew FRW7,500,000 each month from the business.

Which of the following are the balances on Fred’s and Ziad's current accounts at the end of the year?

- | | Fred | Ziad |
|----------|-----------------|-----------------|
| A | FRW 104,000,000 | FRW 121,500,000 |
| B | FRW 4,000,000 | FRW 121,500,000 |
| C | FRW 9,800,000 | FRW 118,500,000 |
| D | FRW 92,00,000 | FRW 67,500,00 |

(2 Marks)

QUESTION 16

Migambi prepared their year-end accounts for the year ended 31 December 2021 but did not make necessary adjustments for rental charge of the machinery and telephone charges. They pay FRW 300,000 rental charge on the machinery monthly in advance and have already paid the rent for January 2022. The telephone bill due for the three months ending 31 January 2022 is FRW 540,000. These have not been adjusted for.

What adjustments are required?

- A Prepayment of FRW 300,000; accrual of FRW 180,000
- B Prepayment of FRW 300,000; accrual of FRW 360,000
- C Accrual of FRW 300,000; prepayment of FRW 360,000
- D Accrual of FRW 300,000; prepayment of FRW 180,000

(2 Marks)

QUESTION 17

A company forgot to record an invoice of FRW 1,000,000 issued to a customer for credit sales. The company also posted a receivable balance (debit) of FRW 500,000 on the debit side of the payables control accounts.

The above errors (if not corrected) will?

- A Overstate payables and overstate receivables
- B Overstate payables and understate receivables
- C Understate payables and understate receivables
- D Understate payables and overstate receivables

(2 Marks)

QUESTION 18

Muhire and Mugire are in partnership. Muhire is entitled to a salary of FRW 24,000,000 per annum according to the partnership agreement.

The net profit of the partnership for the year ended 31 May 2004 was FRW 47,300,000. The figures for interest on capital and interest on drawings for the year were as follows:

	Muhire	Mugire
Interest on Capital	FRW 7,000,000	FRW 4,560,000
Interest on drawings	FRW 1,200,000	FRW 2,300,000

Which of the following is the residual profit for the year to 31 May 2005?

- A FRW 23,300,000
- B FRW 26,800,000
- C FRW 31,360,000
- D FRW 38,360,000

(2 Marks)

QUESTION 19

How do you record the accrued expense and accrued income in the statement of financial position?

- A Accrued expense is recognized as current asset and Accrued income is recorded as current liability
- B Accrued expense is recognized as current liability Accrued income is recorded as current asset
- C Both accrued expense and accrued incomes are recognized as current liabilities and Accrued income is recorded as current asset
- D Both accrued expense and accrued incomes are not recorded in the statement of financial position, rather they are only captured in the income statement

(2 Marks)

QUESTION 20

A business can make a profit and yet have a lower bank balance. Which of the following might cause this to happen?

- A Sale of non –current assets at loss
- B Charging of depreciation in the income statement
- C Lengthening of the period of credit given to customers
- D Lengthening of the period on credit taken from suppliers

(2 Marks)

QUESTION 21

Ngenzi is business trader in Rwamagana district. Their cost of sales for the month of September 2022 was FRW 150,000,000. The profit markup for all goods was 20%.

What was the sales figures of Ngenzi for the month of September 2022?

- A FRW 187,500,000
- B FRW 37,500,000
- C FRW 180,000,000
- D FRW 30,000,000

(2 Marks)

QUESTION 22

A plant asset with a cost of FRW 9,000,000 and accumulated depreciation of FRW 8,000,000 is sold for FRW 800,000.

What is the amount of the gain or loss on disposal of the plant asset?

- A FRW 200,000 loss
- B FRW 800,000 loss
- C FRW 800,000 gain
- D FRW 200,000 gain

(2 Marks)

QUESTION 23

How company Gain and loss arising from asset disposal is calculated?

- A Difference between Book value and the original cost of the asset
- B Difference between Cash received and book value
- C Difference between Cash received and cost of the asset
- D Difference between None of the available choices

(2 Marks)

The following information will be used for questions 24, 25 and 26

Moise has been trading for many years in Kigali-Rwanda and is registered for VAT. For the month of March 2022, they had the following transactions:

	FRW
Sales	116,000,000
Purchases	40,000,000
Expenses	22,000,000

The sales are made up of standard-rated supplies and are VAT inclusive. Only 80% of the purchases are standard-rated and the amount shown is VAT exclusive. The remaining amount of purchases are zero-rated. All of the expenses are standard rated and are VAT exclusive.

QUESTION 24

The output VAT for Moise for the month March 2022 will be?

- A FRW 17,694,915
- B FRW 20,880,000
- C FRW 16,704,000
- D FRW 14,155,932

(2 Marks)

QUESTION 25

The input VAT for Moise for the month March 2022 will be?

- A FRW 5,760,000**
- B FRW 9,720,000**
- C FRW 8,237,288**
- D FRW 3,960,000**

(2 Marks)

QUESTION 26

The VAT Payable for Moise for the month March 2022 will be?

- A FRW 17,694,915**
- B FRW 9,457,627**
- C FRW 9,720,000**
- D FRW 7,974,915**

(2 Marks)

The following information relates to Question 27 and 28

A business has bought a machine for FRW 10,000. Estimated useful life of the machine is eight years, with a salvage value of FRW 2,000.

QUESTION 27

By using straight Line Method, which of the following is annual depreciation cost?

- A FRW 1,250**
- B FRW 1,500**
- C FRW 1,000**
- D FRW 12,000**

(2 Marks)

QUESTION 28

Which of the following indicate how you will adjust the depreciation charges on the Balance sheet?

- A When the machine is bought for FRW 10,000, the cash and cash equivalents are reduced by FRW 10,000 and moved to the Property, plant, and equipment line of the balance sheet.
- B When the machine is bought for FRW 10,000, the cash and cash equivalents are increased by FRW 10,000 and moved to the Property, plant, and equipment line of the balance sheet.
- C Now, FRW 1,000 will be charged to the income statement as a depreciation expense for eight straight years. Although all the amount is paid for the machine at the time of purchase, the expense is charged over time.
- D When the machine is bought for FRW 10,000, the cash and cash equivalents are multiplied by FRW 10,000 and moved to the Property, plant, and equipment line of the balance sheet.

(2 Marks)

QUESTION 29

Which of the following statements is/are true?

- A Trade discount is a reduction in the cost of goods, often for bulk purchases or special offers and it is given on the supplier's invoice
- B Cash discount is a reduction given as result of prompt payment and it cannot be withdrawn once promised
- C Both trade discount and cash discount must appear in the accounting records
- D All the above are correct

(2 Marks)

QUESTION 30

Mr Ken purchased goods on 15 September 2022 at a list price of FRW 300,000. The seller gives him a trade discount of 2% and an early settlement discount of 5% if they pay within 15 days.

What amount will Mr Ken pay if they pay on 5 October 2022

- A FRW 294,000
- B FRW 279,000
- C FRW 279,300
- D FRW 285,000

(2 Marks)

QUESTION 31

Which of the following is/are definitions of business:

- A A commercial or industrial concern which exists to deal in manufacture, resale or supply of goods and services.
- B Organization which uses economic resources to create goods or services which customers will buy.
- C An entity that invests money to make more money for its owners.
- D All the above.

(2 Marks)

QUESTION 32

NDUNGUTSE is registered for VAT. In the month of March 2017, he made sales of FRW 970,000 including VAT and purchased goods totaling FRW 2,050,000 excluding VAT. The VAT on FRW 1,750,000 of the purchases is irrecoverable.

Which is following is net amount of input or output VAT of NDUNGUTSE will record in his VAT declaration in April 2018?

- A FRW 147,966 input
- B FRW 300,000 output
- C FRW 447,966 output
- D FRW 152,034 input

(2 Marks)

QUESTION 33

The double entry rules provide that for every transaction, there should be one or more accounts debited and one or more accounts credited.

This matches with which of the statement?

- A A debit is either an increase in asset, increase in income and decrease in liability
- B A credit is either an increase in income, increase in liability or decrease in asset
- C Both debit and credit have the same effect on asset
- D Debit is either an increase in asset or decrease in expense

(2 Marks)

QUESTION 34

Which of the following is the necessary accounting entries required to record Goodwill value in the books of partnership business on admission of a new partner:

- | | |
|-----------------------------------|---------------------------------|
| A Dr. New partner Capital Account | Cr. Goodwill Account |
| B Dr. Goodwill Account | Cr. New partner Capital Account |
| C Dr. Realization Account | Cr. Goodwill Account |
| D Dr. Goodwill Account | Cr. Revaluation Account |

(2 Marks)

QUESTION 35

What effect would payment on account to a supplier of inventory from the business bank account have on assets, liabilities and equity respectively?

	Assets	Liability	Equity
A	Decrease	Decrease	No effect
B	Increase	No effect	Increase
C	Decrease	Increase	No effect
D	No effect	Decrease	Decrease

(2 Marks)

QUESTION 36

Which of the following accounting equations is NOT correct?

- A** Assets = Equity
- B** Assets = Liabilities + Equity
- C** Equity = Assets – Liabilities
- D** Assets = Equity – Liabilities

(2 Marks)

The following information relates to Question 37 and 38

Kamondo and Mabiye are partners sharing their profit in the ratio of 3:2 respectively.

On 1 September 2022, they agree to welcome Mr Cyuma as a new partner. At the same date, they have valued their goodwill to be FRW 10,000,000. Cyuma agreed to pay cash of FRW 3,000,000 as new partner and they all agreed to share profits/loss in the ratios of: 3:2:2 for Kamondo, Mabiye and Cyuma respectively.

QUESTION 37

What was the value of goodwill credited in the capital account of Mabiye

- A** FRW 5,200,000
- B** FRW 2,857,143
- C** FRW 3,714,286
- D** FRW 4,000,000

(2 Marks)

QUESTION 38

what was the proportion of goodwill that will be debited to Cyuma's capital account if the partners agreed not to maintain the goodwill in the books of accounts

- A** FRW 5,200,000
- B** FRW 4,000,000
- C** FRW 2,857,143
- D** FRW 3,714,286

(2 Marks)

QUESTION 39

The partners' capital accounts remain constant throughout the year. **This is because,**

- A Partners' Capital accounts records all partners benefits including interest on capital, salaries among others
- B Separate current accounts are created to record all partners 'benefits in the partnership
- C Both A&B
- D None of the above

(2 Marks)

QUESTION 40

Which of following is an accounting concept that assumes incomes as earned and expenses as incurred:

- A Accrual
- B prudence
- C Sales
- D Entity

(2 Marks)

QUESTION 41

On 31 December 2020, Kigenza has a total receivable amounting to FRW 28,000,000. They believe that about 1% of these balances will not be paid and plans to make an appropriate allowance for the year ended 31 December 2020.

In the subsequent year, on 31 December 2021, their receivables balances were FRW 40,000,000. They concluded that an allowance of 5% needs to be made at the end of the year.

What is the amount of allowance for receivables that would be recognized as an expense for the year ending 31 December 2021?

- A FRW 280,000
- B FRW 2,000,000
- C FRW 1,720,000
- D FRW 2,280,000

(2 Marks)

QUESTION 42

MARENGO's prepares the statement of accounts for the year ended 30th September 2009 including an allowance for receivables of FRW 203,000. During the year ended 30th September 2010, he writes off irrecoverable debts of FRW 185,000 and has calculated the closing allowance for receivables requires to be FRW 140,000.

What will be the charge for irrecoverable debts in the statement of profit or loss for the year ended 30th September 2010?

- A FRW 185,000
- B FRW 122,000
- C FRW 63,000
- D FRW 248,000

(2 Marks)

QUESTION 43

Mr Glee prepared the draft final accounts for the year ending 31 December 2021 and has adjusted for prepaid rent of FRW2,300,000 which should have been FRW3,200,000. What will be the effect on the net profit when this error is corrected?

- A Net profit will increase by FRW 3,200,000
- B Net profit will decrease by FRW 3,200,000
- C Net profit will increase by FRW 900,000
- D Net profit will decrease by FRW 900,000

(2 Marks)

QUESTION 44

Which of the following statements is true in line with the value of closing inventory?

- A The value of closing inventory is accounted for in the general ledger by debiting the inventory account and crediting the statement of profit or loss.
- B The value of closing inventory is accounted for in the cash book by debiting the statement of profit or loss account and crediting the sales account.
- C The value of closing inventory will therefore always have a credit balance at the end of a period, and this balance will be shown in the statement of comprehensive income as and expenses.
- D The value of closing inventory for in the general ledger by debiting the sales account and credit returns inwards account.

(2 Marks)

QUESTION 45

KIRIMANJARO Company Ltd presents the following information from its financial records for the financial year ended 31st December 2023.

DETAILS	AMOUNT (FRW)
Sales	56,000
Purchases	40,000
Carriage outwards	1,600
Returns inwards	900
Carriage inwards	1,300
Returns Outward	1,490

Which of the following is the gross profit of KIRIMAJARO Company Ltd?

- A FRW 15,290
- B FRW 16,190
- C FRW 17,890
- D FRW 17,090

(2 Marks)

QUESTION 46

Mr TUMUKUNDE and KANAMUGIRE Sold the chemicals products using in farming at Rukurazo Market due to the competition issue has created the business conflicts to them, a long time TUMUKUNDE and KANAMUGIRE seek the advise from business consultant. The business consultant advised them to formulate the partnership agreement and the issue of business conflict will be resolved.

What is the meaning of entity concept to a partnership business?

- A Partners can issue ordinary shares
- B Liability of all the partners are limited
- C Partner's drawing reduces capital contribution
- D Current Account is not necessary for the partners

(2 Marks)

QUESTION 47

A ledger containing details of capital account, drawing accounts, salaries account and investment account could be classified as:

- A Bought ledger
- B Sales ledger
- C Equity ledger
- D Private ledger

(2 Marks)

QUESTION 48

Mageza was preparing his extended trial balance and he has realized that in his 8 column trial balance, he recorded only 3 post trial balance adjustments. There were unadjusted accrued rent of FRW 12,000,000, irrecoverable debts of FRW5,000,000 and depreciation charge of FRW2,500,000.

What is the total value to be recorded on the credit side column of the extended trial balance?

- A FRW 19,500,000
- B FRW 12,000,000
- C FRW 7,500,000
- D FRW 2,500,000

(2 Marks)

QUESTION 49

In January 2023, KAZUNGU paid FRW 1,350,000 for rent of four months starting from 1st February 2023.

What should be reported in the financial position of KAZUNGU as at 31st March 2023.

- A An accrual of FRW 675,000
- B A prepayment of FRW 337,500
- C An accrual of FRW 337,500
- D A prepayment of FRW 675,000

(2 Marks)

QUESTION 50

Which of the following is NOT a revenue expenditure?

- A Incurred in acquiring trading inventories for sale
- B Discount allowed on Credit sales
- C Cost of Repairing Plant and Equipment
- D Purchase of new equipment for use as non-current asset

(2 Marks)

End of Question Paper

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