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**CERTIFIED ACCOUNTING TECHNICIAN  
STAGE 2 EXAMINATIONS**

**S2.1 PREPARATION OF BASIC ACCOUNTS**

**DATE: WEDNESDAY, 30 NOVEMBER 2022**

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**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

**Which of the following is the principle of accounting?**

- i. Accruals and matching concept
- ii. Straight line depreciation
- iii. Materiality
- iv. Balance sheet and income statement

- A (i) and (iii)
- B (ii) and (iii)
- C (i) and (iv)
- D None of the above

**(2 Marks)**

### QUESTION TWO

The management of public or Private sector while taking the decision should consider the materiality associated with the item by which the decisions are going to be undertaken. **According to the materiality concept when an item should be considered as material?**

- A It has big amount or significant value only
- B It can be quantitatively measured only
- C If its omission or misstatement would not influence the decision makers
- D None of the above

**(2 Marks)**

### QUESTION THREE

One of the roles of an accountant is to measure income, expenditure and profit, assets and liabilities and learning how to account for a business involves building up a clear picture of what a business consists of. **Which of the followings is among business owes?**

- A Cash at Bank
- B Bank Overdraft
- C Bank Charges
- D None of the above

**(2 Marks)**

### QUESTION FOUR

For accounting purposes, it is important to keep business assets and liabilities separate from the owners' personal assets and liabilities. **Which accounting principle is relevant to this statement?**

- A Prudence concept.
- B Double entry bookkeeping.
- C Business entity concept.

**D Going concern Concept (2 Marks)**

**QUESTION FIVE**

Transactions are stated at the value at which they occurred and are not adjusted at the end of the year.

**Which accounting principle is described by this statement?**

- A Business entity
- B Historical cost
- C Materiality
- D Money measurement. (2 Marks)

**QUESTION SIX**

It is important that businesses keep financial records for both internal and external uses. They are many users of the financial information prepared using accounting records among them are the finance providers to the business.

**According to this statement what is/are main reason why the finance providers to businesses need the company's financial information:**

- A To know the tax payable by the business to tax authorities
- B To assess the company's financial situation in order to provide short or longtime loans to the business
- C To know the future careers of the business's employees
- D To assess how effectively management performance stewardship function (2 Marks)

**QUESTION SEVEN**

Accounts in the general ledger (ledger accounts) that are related to types of income, expense, assets and liabilities are either in form of personal or impersonal accounts or both: **Which of the following ledger accounts are personal accounts?**

- A Expense, income, payables and receivables ledger
- B Assets and expense ledger
- C Income and Revenue ledger
- D Receivable and Payable ledger (2 Marks)

### QUESTION EIGHT

Which of the following statements is correct?

- A It is so important to keep the financial records of the business as required by the law
- B It is so important to keep the accounting records of the business for it to produce their books of prime entry
- C It is so important to keep the accounting records of the business for it to produce their source of documents
- D It is so important to keep the accounting records of the business for it to produce their ledgers

(2 Marks)

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### QUESTION NINE

In the following statements, which is related to the going concern principle?

- A Every financial transaction has a debit and a credit entry and is reported in the year that occurred
- B The business is expected to stay in business for the foreseeable future
- C The business will continue to evaluate its assets in the same way for the future period
- D Business will continue to purchase from same suppliers

(2 Marks)

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### QUESTION 10

The following information is given to you by finance department of SIMBYUMVA Ltd to reconcile their control account balance

- Balance extracted from the Memorandum ledger
- Debit balance extracted as credit balance FRW 15,000
- Receivable ledger FRW 102,000
- Transaction in debit side posted as FRW 17,700 instead of FRW 10,700
- Undercasted balance of FRW 10,000

Which of the following answer is correct account balance?

- A FRW 90,000
- B FRW 114,000
- C FRW 135,000
- D FRW 137,700

(2 Marks)

**QUESTION 11**

**A capital income is:**

- A Income from issue of shares
  - B Income from sales of trading assets such as goods bought or made for sale
  - C Rent received from non-current assets held by the business
  - D Proceeds from the sale of non-trading assets
- (2 Marks)**
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**QUESTION 12**

**Which of the following statement is correct as far as revenue expenditure is concerned?**

- A Revenue expenditure refers to funds used by a company to acquire, upgrade, and maintain physical assets
  - B Revenue expenditure is the expenditure incurred for the purposes of the trade of the business
  - C Revenue expenditure is when a firm recognizes and reports revenues and their related expenses in the same accounting period except those it carries over into the next year
  - D Revenue expenditures decrease in debit side and increase in credit side
- (2 Marks)**
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**QUESTION 13**

The following transaction are for AMATAMEZA Ltd which operates a Diary business in GISHWATI:

1. On 01/01/2021: Acquisition of moto vehicle for distribution of Milks in different areas of Rwanda at FRW 15,500,000
2. On 02/01/2021: Payments FRW 8,000,000 of Milk bought from farm on 01/01/2021
3. On 10/01/2021: purchase of moto vehicle engine to replace the old one at FRW 2,000,000
4. On 25/01/2021: Painting one part of industry which was dirty for FRW 1,0000,000
5. On 31/01/2021: Payment of driver's salary amounting FRW 1,500,000

From the following answer, **what amount AMATAMEZA Ltd will report in their financial statement as capital expenditure?**

- A FRW 18,000,000
  - B FRW 17,500,000
  - C FRW 18,500,000
  - D FRW 10,500,000
- (2 Marks)**
-

**QUESTION 14**

AKEZA Trader Ltd paid wages amounting to FRW 5,000,000 to its Labours in relation to a self-constructed building to be used as an office. From the below accounting entries, **which is correct?**

- A Debit wages or salaries of FRW 5,000,000 and Credit Non-current assets of FRW 5,000,000
- B Debit wages or salaries of FRW 5,000,000 and credit Bank or Cash of FRW5,000,000
- C Debit Non-Current assets FRW5,000,000 and Bank or Cash of FRW5,000,000
- D Debit Bank or Cash of FRW5,000,000 and Credit wages or salaries of FRW5,000,000

**(2 Marks)**

**QUESTION 15**

IHURIRO Ltd purchased a machinery on 01/01/2020 for production purposes, the acquisition cost was FRW 80,000,000, its useful life is 5 years and has a scrap value of FRW 2,000,000 at the end of the useful life.

**What is the amount of accumulated depreciation as at 31<sup>st</sup> December 2022 if the Straight line method of depreciation is used?**

- A FRW 48,000,000
- B FRW 46,800,000
- C FRW 78,000,000
- D FRW 80,000,000

**(2 Marks)**

**QUESTION 16**

NYABIHU Potatoes Ltd (NP Ltd) purchased a tractor for FRW 50,000,000 on 01 July 2019 with 4 years of useful life, on 30 June 2021 the management of NP Ltd decided to dispose of the tractor due to new technology ahead. The tractor was disposed at FRW 20,000,000. It is the NP Ltd' policy to depreciate its assets using straight line method.

**From the following answer, which one is correct as far as profit or loss on disposal is concerned?**

- A The NP Ltd got profit on disposal
- B The NP Ltd got loss on disposal
- C NP Ltd did not get profit or loss as the asset was not purchased for resale
- D Due to fact that the disposal of the asset was done as a result of change in technology, there is no need to determine profit or loss on disposal of the tractor. Therefore, there is no other way of maintaining the asset except acquiring a new tractor to adopt the new technology.

**(2 Marks)**

**QUESTION 17**

One of purposes of trial balance is to highlight certain errors that may have occurred in the double entry accounting system. Among the following statement(s) **what is/ are the error (s) that can affect the trial balance?**

- i. The complete omission of the financial transaction
- ii. Error of complete reversal
- iii. Compensation error
- iv. Posting the incorrect amount

- A (ii) and (iii)
- B (iii) and (iv)
- C (i) and (iv)
- D None of the above

**(2 Marks)**

**QUESTION 18**

**Which of the following is the error of principle?**

- A Rent paid debited to the bank and credit to the rent account
- B Purchase of non-current asset debited to the supplier account and credit to non-current asset account
- C The purchase of current assets debited to fixed assets account and credited to the supplier's account
- D Payment of advertisement cost debited and credited in the correct account but using wrong amount

**(2 Marks)**

**QUESTION 19**

KAGABA Mining Ltd (KM Ltd), did not keep the accounting records properly. Its latest accounts showed that his capital balance amounting FRW 50,000,000.

At the end of the year, the balance of their assets and liabilities shows the following:

	<u>FRW</u>
Building	50,000,000
Inventory	5,000,000
Trade creditors	3,000,000
Trade receivables	2,000,000
Bank over draft	1,000,000

While reviewing their calculations, it has been noted that FRW 2,000,000 related to accrued income had been omitted.

From the following, **what is the correct closing capital balance of KM Ltd?**

- A FRW 57,000,000
- B FRW 52,000,000
- C FRW 53,000,000
- D FRW 55,000,000

**(2 Marks)**

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### QUESTION 20

From the following statements, **which one is the reason for incomplete records?**

- A The accountant of the business resigned while the accounting period is ahead of closure
- B The proprietor of the business doesn't have knowledge of accounting
- C Double entry was not well done for some transactions
- D Some of the business' accounts are accidentally lost or destroyed

**(2 Marks)**

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### QUESTION 21

**Which formula is correct to get the profit while having an incomplete record?**

- A Closing balance of non-current assets minus Closing balance of non-current liabilities
- B Total closing balance of assets minus Total closing balance of liabilities
- C Capital closing balance minus Capital opening balance
- D Current assets closing balance minus Opening balance of current liabilities

**(2 Marks)**

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### QUESTION 22

The following are information brought from TWIGE TUZATSINDA LTD (T&T Ltd) for your analysis and reporting.

When they were closing its ledger account as at 31<sup>st</sup> December 2021, T&T LTD water and electricity account had a debit balance of FRW 3,000,000 before adjustments for accrual and prepayment. T&T Ltd further had to make an accrual of FRW 500,000 for outstanding water bill and a prepaid electricity bill of FRW 300,000.

From the below answer, **what is correct figure of opening balance of water and electricity in T&T LTD current asset as at 01/01/2022?**

- A FRW 300,000
- B FRW 3,500,000
- C FRW 3,300,000
- D FRW 3,200,000

**(2 Marks)**



**QUESTION 23**

On 01 January 2014 INZOBERE Ltd borrowed FRW 12,000,000 at a fixed rate of interest. The loan will be paid by a single capital repayment which is due on 31 December 2017. During the year end 31 December 2015, the interest of FRW 300,000 per month has been paid on the last day of each month.

**How should the loan be reported on INZOBERE Ltd' Balance sheet as at 31<sup>st</sup> December 2015?**

**Current liability**

A FRW 3,600,00

B FRW 12,000,000

C Nil

D 12,000,000

**Non-current liability**

FRW 12,000,000

FRW 3,600,000

FRW 12,000,000

Nil

**(2 Marks)**

**QUESTION 24**

In the appropriation account, the net profit is apportioned between the partners according to the partnership agreement.

Among the following statement, **which one is correct as far as partnership agreement is concerned?**

A When a partnership's net profit has been ascertained it is appropriated by them, means credit their capital account

B A drawings account in a partnership' account is kept to record each partner' addition capital

C Partner salaries are a charge against profit not an appropriation profit

D When a partnership's net profit has been ascertained it is appropriated by them, which means debit their capital account.

**(2 Marks)**

**QUESTION 25**

AKEZA TRADING Ltd (AT Ltd) holds inventory including 100 pairs of shoes worth FRW 1,000,000. AT Ltd expects to sell that stock at FRW 1,500,000 and to incur selling expenses amounting FRW 200,000.

At what value should AT LTD report their inventory of shoes in the statement of financial position?

A FRW 1,500,000

B FRW 1,200,000

C FRW 1,300,000

D FRW 1,000,000

**(2 Marks)**

**QUESTION 26**

From the following statements, **which one is correct?**

- A In the partnership, the net assets are financed by partner's current account only
  - B In the partnership, the current account is increased in debit and reduced in credit side
  - C In the partnership, the net assets are financed by partner's current and capital account
  - D In the partnership, the appropriation account is consist of how the capital of partners is allocated to each partner
- (2 Marks)**

**QUESTION 27**

TSN Partnership is formed by 3 Partners, TWIZA, SANGA and NEZA. At the end of accounting period, they agreed to reinvest interest on capital in the partnership in order to raise the fund for their capacity of operation.

8. Among the following entries, **what double entry is necessary to record interest earned on partners' capital account as far as TSN Partnership is concerned?**

- A Debit Partner's current account and credit appropriation account
  - B Debit appropriation account and Partner's current account
  - C Debit appropriation account and credit cash or bank account
  - D Debit appropriation account and credit Partner' Capital account
- (2Marks)**

**QUESTION 28**

The carrying amount of MWIZA trader's non-current assets as at 31<sup>st</sup> December 2020 was FRW 50,000,000. She sold some non-current assets for FRW 5,000,000 during the year ended 31 December 2021 and she realized a loss on disposal of FRW 200,000. The depreciation charge for the year was FRW 1,000,000. It is company's policy to charge full year depreciation in the year of acquisition and none for the year of disposal.

**What would be the net book value of MWIZA trader's non-current assets as at 31<sup>st</sup> December 2021?**

- A FRW 45,000,000
  - B FRW 44,800,000
  - C FRW 33,800,000
  - D FRW 44,000,000
- (2 Marks)**

**QUESTION 29**

SIMBYUMVA Trader's extracted trial balance as of 30 June 2019 is showing account receivable debit balance amounting to FRW 125,000. In addition to this, there was a provision for bad debt amounting to FRW 5,000 which was well recorded. However, a bad debt amounting to FRW 20,000 was omitted from the books of accounts.

**What is the correct figure of account receivable balance reported in SIMBYUMVA Trader's financial statement as at 30 June 2019?**

- A FWR 100,000
  - B FRW 120,000
  - C FRW 125,000
  - D FRW 105,000
- (2 Marks)**

**QUESTION 30**

KWIHANGANA trader got the information on the radio and television that the fire has burned the shop of one of his clients called Mr. SINDIHO and all goods have been destroyed by fire, in his interview with media while commenting on this situation, Mr. SINDIHO declared that he is going to close the business as he is incapable to pay his outstanding debts. In addition to this incident, he was defaulted to pay all goods advanced to him from suppliers in the last 6 months due to poor financial situation.

**Referring to the scenario, what is the correct double-entry record that will be passed in the books of KWIHANGANA trader?**

- A Debit account receivable and credit Bad debt
  - B Debit bad debt and credit account receivable
  - C Debit account receivable and credit provision for doubtful debt
  - D Debit bad debt and credit provision for doubtful debt
- (2 Marks)**

**QUESTION 31**

MUHINDA trader started trading in 2005, the balance on the debtor's account was FRW 800,000. Bad debts amounting to FRW 80,000 is to be written off from this balance, there was a specific provision of FRW 10,000 to be made to one of the debtors and a general provision of 5% was to be made on the balance of the debtors.

**What is the balance of MUHINDA trader's trade receivable ledger account as at last day of 2005 financial year?**

- A FRW 674,500
- B FRW 674,000
- C FRW 720,000

D FRW 670,000.

(2 Marks)

### QUESTION 32

What is the correct answer from the following statements in regard to accrued income?

- A An accrued income should be reported in the profit & loss account and the same income will be shown in the balance sheet as a current asset
- B Accrued income decrease the cash income received during the same year
- C Accrued income increases assets and decrease liabilities
- D Accrued income decreases assets and increases liabilities

(2 Marks)

### QUESTION 33

The accounting treatment of provision for doubtful debts depends on the year of trading. In the subsequent periods, it will depend on whether if it is an increase or decrease on provision. From the following statements, what is true as far as the decrease in provisional of doubtful debt is concerned?

- A Debit profit or loss account and credit provision for doubtful debts
- B Debit receivables account credit provision for doubtful debts
- C Debit provision for doubtful debts and Credit profit or loss account
- D Debit account receivable and credit profit or loss account

(2 Marks)

### QUESTION 34

What is the following statements is true about deferred income?

- A Income earned but not yet received
- B Income received and the related services had been offered
- C Revenue received but not yet earned.
- D Cash received in current year but related to service offered in previous year.

(2 Marks)

### QUESTION 35

The following are information related to the acquisition of plant by TWUBAKANE Ltd on 01 January 2022.

1. Acquisition price of FRW 23,000
2. Transport cost of FRW 7,000
3. Installation cost of FRW 6,000
4. The cost of site preparation of FRW 3000
5. Reparation cost of FRW 1,000
6. Testing costs of FRW 2,000
7. Maintenance cost of FRW 200

What is the cost of the plant in TWUBAKANE Ltd' financial statement as 01 January 2022?

- A FRW 41,000
  - B FRW 42,200
  - C FRW 29,000
  - D FRW 36,000
- 
- (2 Marks)**

**QUESTION 36**

From the following accounting entries, **what is correct entry to record acquired non-current asset?**

- A Debit non-current assets and credit revenue account
  - B Debit non-current assets and credit cash/bank or payable
  - C Debit non-current assets and credit accumulated depreciation
  - D Debit non-current assets and credit disposal account
- 
- (2 Marks)**

**QUESTION 37**

**Which of the following is correct?**

- A The non-current asset register is part of the double entry system
  - B A non-current asset register is not part of the internal control system.
  - C Assets should be removed from the non-current asset register when they are sold or scrapped
  - D Assets should be removed from the non-current asset register whenever they have been fully depreciated
- 
- (2 Marks)**

**QUESTION 38**

**Which of the following statement is correct?**

- A Accumulated depreciation is the total of annual depreciation and always has a debit balance.
  - B All non-current assets eventually wear out over time.
  - C Depreciation is a tool used to reflect the falling realizable value of an asset
  - D None of the above is correct.
- 
- (2 Marks)**

**QUESTION 39**

Non-current assets are not purchased with the intention to resale in the normal course of business. However, non-current assets can be sold before or after its expected useful life matures.

From the following statements, **what is correct as far as the disposal of non-current asset is concerned?**

- A When a non-current asset disposed, the asset is written off from the books of the company
  - B When a non-current asset disposed, its related accumulated depreciation is written off from the books of the company
  - C The profit or loss from disposal of non-current assets will be the capital gain or capital loss
  - D All answers above are correct. **(2 Marks)**
- 

#### QUESTION 40

On 31<sup>st</sup> July 2021: ISHEMA Ltd disposed one of its furniture for FRW 120,000. The furniture was acquired at FRW 200,000 on 01<sup>st</sup> August 2018 and its useful life was 8 years.

**How much should be reported as profit or loss from disposal of furniture of ISHEMALtd?**

- A FRW (80,000)
  - B FRW 125,000
  - C FRW (5,000)
  - D FRW 120,000 **(2 Marks)**
- 

#### QUESTION 41

BANDEBEREHO Ltd acquired new building on 01<sup>st</sup> April 2017 for FRW 50,000, the accounting period is running from 01 January to 31 December of each year. The expected useful life of the assets was 5 years. The Management of BANDEBEREHO Ltd decided to depreciate the building using reducing balance method at the rate of 25%. It is company policy to depreciate all assets on prorate basis in year of acquisition and none in the year of disposal.

**What is the value of depreciation of the building as at 31 December 2017?**

- A FRW 10,000
  - B FRW 9,375
  - C FRW 12,500
  - D FRW 7,500 **(2 Marks)**
- 

#### QUESTION 42

From the following statements, **what is/ are correct?**

- A Zero rated goods and services means that they are exempted from VAT.
  - B A sales tax is applicable to any taxpayer who has purchased domestic inputs during the tax period for use in the business
  - C VAT importation tab is applicable for any taxpayer who has imported inputs during the tax period
  - D VAT is a tax on income where seller applies a given percentage that has been set by tax authority on the net profit amounts of a given fiscal year. **(2 Marks)**
-

**QUESTION 43**

The VAT annexure has five tabs into which the taxpayers enter relevant information.

Among the following, **what is/ are not applicable to purchase tab?**

- A Total exempted sales amount
  - B Total amount of sale excluding VAT
  - C Separate column for Exempt, zero-rated and exports
  - D Invoice date
- (2 Marks)**
- 

**QUESTION 44**

TWIZE NEZA Ltd (TN Ltd) is a registered VAT company and has been trading for 10 years. The following are transactions made during the month ended 31<sup>st</sup> August 2021. VAT rate is 18%.

<b>Details</b>	<b>FRW</b>
1. Sales (VAT) exclusive	10,000,000
2. Expenses (50% related to home usage)	2,360,000
3. Purchases VAT inclusive	5,900,000

Note:  
All above sales are standard -rated and 20% of purchases are zero-rated.  
All expenses are standard and VAT inclusive.

**What is the amount of VAT payable or recoverable for the month of August 2021?**

- A FRW 900,000
  - B FWR 720,000
  - C FRW 463,424
  - D FRW 540,000
- (2 Marks)**
- 

**QUESTION 45**

From the following statements, **what is the example of irrecoverable VAT?**

- A Goods or services acquired or imported for entertainment purposes
  - B Telephone expenses incurred solely for business use
  - C Goods acquired for accommodation purposes in which the accommodation is provided to an employee working away from their home location
  - D Goods or services acquired or imported on which a loss is expected to be made
- (2 Marks)**
-

**QUESTION 46**

UMUGUZI LTD made sales of FRW 21,240,000 VAT exclusive and Purchases of FRW 13,390,000 VAT exclusive. The VAT on FRW 1,000,000 of the purchases is irrecoverable. VAT rate is 18%. **How much is net amount of input or output VAT that UMUGUZI Ltd is due to or from tax authority?**

- A FRW 1,350,000
  - B FRW 1,197,458
  - C FRW 1,593,000
  - D FRW 1,413,000
- (2 Marks)**
- 

**QUESTION 47**

**What are the correct entries when a credit purchase of FRW 118,000 VAT inclusive is made?**

- A Debit Purchase account FRW 118,000  
Credit VAT account FRW 21,240  
Credit Payable account FRW 96,760
  - B Debit Purchase account FRW 118,000  
Credit payable FRW 118,000
  - C Debit Purchase account FRW 96,760  
Debit VAT account FRW 21,240  
Credit payable account FRW 118,000
  - D Debit Purchase account FRW 100,000  
Debit VAT account FRW 18,000  
Credit payable account FRW 118,000
- (2 Marks)**
- 

**QUESTION 48**

NTIBINDEBA LTD is found guilty by Rwanda Revenue Authority at the second time for not providing the EBM invoice while making sales of FRW 1,416,000 VAT inclusive.

**What is the amount of penalty payable by NTIBINDEBA Ltd?**

- A FRW 2,160,000
  - B FRW 2,548,000
  - C FRW 4,320,000
  - D FRW 5,097,600
- (2 Marks)**
-



**QUESTION 49**

From the following statements, **which one is correct as far as penalties related to VAT is concerned?**

- A Taxpayer who is not registered for VAT but who fulfilled all the requirements to be registered for VAT is subject to an administrative fine of FRW 800,000.
- B Taxpayer who does not have an EBM, but is required to have one is subject to a penalty of FRW 300,000 for a first time offence and FRW 400,000 for any repeated offences.
- C Taxpayer who has submitted a tax declaration of VAT on time, but has failed to pay any or all of tax due within the required deadline is subject to one additional penalty
- D All the above statements are wrong

**(2 Marks)**

**QUESTION 50**

**What is an asset's carrying amount?**

- A Its net realizable value
- B Its replacement values
- C Its cost less annual depreciation
- D Its cost less accumulated depreciation

**(2 Marks)**

**End of question paper.**