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**CERTIFIED PUBLIC ACCOUNTANT  
FOUNDATION LEVEL 1 EXAMINATIONS**

**F1.3: FINANCIAL ACCOUNTING**

**DATE: TUESDAY, 29 NOVEMBER 2022**

**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. In summary attempt four (4) questions.**
- 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) Describe at least 2 advantages and disadvantages of Computerized accounting system (4 Marks)

b) Kisimenti Holding (KH) Ltd awarded a contract to supply internet to one of the biggest Bank in East Africa countries for 3 years. Head of finance is not familiar with accounting standards. They were wondering on how they should recognize the revenue from the signed contract.

**Required:**

In accordance with IFRS 15, discuss on the steps that KH Ltd should follow to recognize revenue from signed contract (5 Marks)

c) HAWEBWA Partners Ltd is manufacturing business that operates in Rwamagana and their trial balance as of 31 December 2021 was as follow:

Details	Dr	Cr
	FRW"000"	FRW"000"
Sales revenue		370,000
Material purchased	105,000	
Work in progress-materials	20,200	
Stock of raw materials	5,160	
Stock of finished goods	8,000	
Salary of factory staff	73,400	
Salary of administration staff	22,000	
Repair of factory building	350	
Repair -machinery and plant	3,000	
Rent and rate	7,000	
Light and power	8,670	
Motor expense	9,480	
Postage and telephone	6,380	
Printing and stationery	2,000	
Transport of materials	10,250	
Capital account at 01 Jan 2021		
Habineza		25,000
Webale		15,000
Fabien		10,000
Current account at 01 Jan 2021		
Habineza		10,000
Webale		7,500
Fabien		5,000
Trade payable		42,800
Trade receivable	40,000	

Details	Dr	Cr
	<b>FRW"000"</b>	<b>FRW"000"</b>
Provision for bad and doubtful debt at 01 <sup>st</sup> January 2021		1,000
Land and building (cost): on which land is FRW 5,000,000	17,400	
Plant and machinery (cost)	15,000	
Motor vehicle (cost)	6,500	
Accumulated depreciation as at 01 Jan 2021		
Building		4,000
Plant and machinery		3,000
Motor vehicle		1,500
Cash at bank	125,010	
<b>Total</b>	<b>489,800</b>	<b>489,800</b>

### Additional Information:

- 1) On 1 September 2021, Haweba Partners Ltd bought new motor vehicle paying by Bank transfer. However, accountant omitted to record this transaction in the books of account. The costs incurred to purchase the motor vehicle were:
  - a) Cost of vehicle: FRW 2,500,000
  - b) Transport Cost: FRW 500,000
  - c) Recoverable VAT FRW 450,000
- 2) Depreciation is computed on prorate basis and the following rates were applicable
  - a) Building: 5% on cost
  - b) Plant and machinery: 25% on reducing balance
  - c) Motor vehicle: 20% on reducing balance
- 3) Inventory at 31 December 2021 was as follow:
  - a) Raw materials: FRW 4,000,000
  - b) Work in Progress: FRW 5,000,000
  - c) Finished Goods: FRW 19,865,000
- 4) Amount in trial balance for light and power included FRW 650,000 paid to cover the month of January and February 2022
- 5) Motor expense of FRW 790,000 was not paid until end of the year
- 6) Haweba Partners Ltd estimate that allowance for bad and doubtful debt would be adjusted to 5% of total trade receivables.
- 7) The following expense are to be allocated at the 70% for factory and 30% for office
  - a) Light and Power
  - b) Rent and Rate
  - c) Building Depreciation
- 8) Interest on partner's capital is 5%
- 9) Profit is shared among partners based on capital contribution ratio
- 10) Current tax is 30%
- 11) All expenses are accrued evenly during the year

**Required:**

- i) Prepare manufacturing account for HAWEBA Partners Ltd (6.5 Marks)**
- ii) Prepare profit or loss for the year ended 31 December 2021 and show partners' appropriation account (9 Marks)**
- iii) Prepare a Statement of Financial Position as of 31 December 2021 (15.5 Marks)**

**(Total: 40 Marks)**

**Note: "Show all of your workings appropriately"**

**SECTION B**

**QUESTION TWO**

Mukaneza started business on 01 March 2020 with capital of FRW 10,000,000 at bank and they made the following transaction in the month of March 2020.

- 1) On 2 March 2020, they received a loan of FRW 5,000,000 from S&S Bank Plc
- 2) On 3 March 2020, Mukaneza bought 3 computers for FRW 250,000 each
- 3) On 4 March 2020, they paid rent for 12 months from 01 March 2020 for FRW 2,400,000 (FRW 200,000 per month). The payment was made through bank
- 4) On 10 March 2020, they purchased goods from G-shop worth FRW 5,000,000 (including VAT) and they paid by bank
- 5) On 15 March 2020, they made cash sales of FRW 4,000,000 inclusive of VAT
- 6) On 20 March 2020, they paid electricity cost of FRW 500,000 through bank
- 7) On 24 March 2020, Mukaneza acquired motor vehicle worth FRW 3,000,000 using cash
- 8) On 28 March 2020, they purchased goods worth FRW 8,000,000 on credit

Note: Current VAT tax is 18% and it is applied if stated in the transaction

Financial year ends in December of each year

Required:

a) Prepare Journal entries with relevant narration for the above transactions (9 Marks)

b) Prepare ledger accounts of Mukaneza for the transaction made in March 2020. (11 Marks)

**(Total: 20 Marks)**

### QUESTION THREE

a) Matunda Ltd is a wholesaler of different products in the Kigali city market. During delivery of their items to Kajagari's store, some items costing FRW 5,000,000 were damaged in way to Kajagari store. In order to sell these items, repair cost of 5% would be incurred. After repair, the product could be sold at FRW 4,800,000 with a commission cost of 10% of the sale value.

**Required:**

**What should be the net realizable value of these items damaged? (4 Marks)**

b) Muhire Co prepare financial statements in June. The inventory as at 30 June 2020 could not be determined due to working from home. The following information are relevant in respect of Muhire's stock as at 30 June 2020

- 1) Cost of finished goods was FRW 30,000,000 as at 30 June 2020.
- 2) Goods that cost FRW 600,000 were found defective in June 2020. However, those goods were sold at FRW 650,000 after the remedial cost of FRW 250,000.
- 3) Raw material at cost of FRW 500,000 sold in July 2020 at FRW 750,000 after paying selling expense of FRW 100,000.

**Required:**

**In accordance with IAS 2, compute the value of inventory to be presented in financial statement for the year ended 30 June 2020 (4 Marks)**

c) Thousand Hill's assets register as at 31 May 2018 had the following costs

Details	Amount
	FRW''000''
Land	50,000
Building	200,000
Equipment	45,000
Plant and machinery	30,000

**Addition information**

- 1) On 30 September 2018, Thousand Hill sold one of their equipment for FRW 5,000,000. The related equipment was purchased on 1 May 2016 at FRW 8,000,000
- 2) On 01 June 2018, Thousand Hill bought new plant at cost of FRW 20,000,000. On 30 June 2018, due to the urgent need of cash in the company, the equipment was sold for FRW 19,800,000.
- 3) It is company's policy to depreciate their assets using straight line method taking into consideration acquisition date or date of disposal (pro-rata basis)
- 4) Depreciation is to be charged using 5% for building and 25% for both equipment and plant & machinery
- 5) Accumulated depreciation as at 31 May 2018 were FRW 50,000, 000, FRW 4,000,000 and FRW 12,000,000 for building, equipment and plant & machinery respectively

**Notes:** Thousand hill's financial period end on 31 May each year

**Required:**

**i) Determine the carrying amount of the assets disposed at the date of disposal and related gain or loss for the year ended 31 May 2019. (4 Marks)**

**ii) prepare property plant and equipment movement schedule as at 31 May 2019 (8 Marks)**

**(Total: 20 Marks)**

**QUESTION FOUR**

**a) Explain the method of preparing statement of cash flows as per IAS 7 statement of cash flow (2 Marks)**

**b) Contrast method used to prepare statement of cashflow. (3 Marks)**

**c) Below is the financial statement of Sumson trading Ltd for the year ended 31 March 2018 and 31 March 2019**

Details	2019	2018
<b>Non-current assets</b>	<b>FRW "000"</b>	<b>FRW "000"</b>
Property Plant and Equipment	65,000	45,000
<b>Total non-current assets</b>	<b>65,000</b>	<b>45,000</b>
<b>Current assets</b>		
Inventory	20,000	18,000
Trade receivable	35,000	45,000
Cash and Cash equivalent	150,000	135,000
<b>Total current assets</b>	<b>205,000</b>	<b>198,000</b>
<b>Total assets</b>	<b>270,000</b>	<b>243,000</b>
<b>Equity &amp; liabilities</b>		
Share capital	130,000	110,000
Share premium	1,300	1,100
Earning reserves	3,680	3,000
<b>Total equity</b>	<b>134,980</b>	<b>114,100</b>
<b>Non-current liabilities</b>		
Bank loan	75,000	68,000
<b>Current assets</b>		
Trade payable	59,330	60,530
Income tax	690	370
<b>Total current assets</b>	<b>60,020</b>	<b>60,900</b>
<b>Total equity and liabilities</b>	<b>270,000</b>	<b>243,000</b>

**Statement of profit or loss for the year ended 31 March 2019**

	<b>2019</b>
	<b>FRW "000"</b>
<b>Revenue</b>	<b>5,600</b>
<b>Cost of Goods Sold</b>	<b>(3,500)</b>
<b>Gross Profit</b>	<b>2,100</b>
<b>Distribution and administration cost</b>	<b>(500)</b>
<b>Finance cost</b>	<b>(200)</b>
<b>Profit Before Tax</b>	<b>1,400</b>
<b>Income tax</b>	<b>420</b>
<b>Net Profit After Tax</b>	<b>980</b>

**Additional Information**

- 1) Depreciation of property plant and equipment for the year 2019 was FRW 298,000
- 2) Dividend was proposed and paid on 31 March 2019
- 3) Property Plant and equipment that costed FRW 15,000,000 was sold for FRW 12,000,000, these assets had accumulated depreciation of FRW 5,000,000
- 4) On 28 Feb 2019, Sumson Trading Ltd issued shares on Rwanda stock exchange

**Required:**

**In accordance with IAS 7, prepare statement of cash flow for Sumson Trading Ltd for the year ended 31 March 2019** (15 Marks)

**(Total: 20 Marks)**



**QUESTION FIVE**

a) Define the following terms as per relevant IPSAS (4 Marks)

- i) Non -exchange Transactions
- ii) Exchange Transaction
- iii) Income
- iv) Assets

b) Distinguish non-adjusting event and adjusting events and provide at least 1 example of each events in accordance to IPSAS 14 (4 Marks)

c) Kamashashi Red Cross organization also known as KRC, is a non-profit humanitarian organization. They provide emergency assistance, disaster relief, and disaster preparedness education in the North part of Kicukiro District. The following is the statement showing receipt and payments made during the year ended 31 December 2020,

Details	FRW"000"	FRW"000"
<b>Receipt</b>		
Grant and donation		50,000
Members' contribution		15,000
<b>Payments</b>		
Office stationery	5,000	
Communication expenses	3,000	
Light and power	1,500	
Fuel expenses	2,000	
Furniture and equipment	6,000	
Rent	12,000	

The following was the information on assets and expenses as at 31 December,

	2019	2020
	FRW"000"	FRW"000"
Building	56,000	50,000
Furniture and equipment	10,000	14,000
Bank balance	10,500	46,000
Pre-paid rent	6,000	7,000
Unpaid office stationery	3,000	2,000
Contribution in arrears	5,000	6,500

**Note: There was no disposal of assets**

**Required:**

**Prepare statement of affairs showing opening accumulated fund of KRC as at 01 January 2020 and income/expenditure account for the year ended 31 December 2020 (12 Marks)**  
**(Total: 20 Marks)**

**End of question paper**





