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CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATION
S2.1 PREPARATION OF BASIC ACCOUNTS
DATE: WEDNESDAY, 26 FEBRUARY 2025

INSTRUCTIONS:

1. Time allowed: **2 hours**
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 accounting concept states that transactions are recorded as they occur rather than when money is received or paid?

- A The consistency concept
- B The materiality concept
- C The accruals concept
- D The going concern concept

(2 Marks)

QUESTION TWO

Which of the following statements about prudence is correct?

- A Prudence requires assets to be carried at their lowest possible valuation.
- B When prudence is applied, income is not recognised until the cash has been received.
- C A prudent decision will mean lower expenditure.
- D Prudence does not allow for understatement of liabilities.

(2 Marks)

QUESTION THREE

In the process of recording financial transactions, the following fall under the category of books of prime entry:

- i) Sales daybook
- ii) The Journal
- iii) Payables ledger (Memorandum)
- iv) Purchases daybook

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

(2 Marks)

QUESTION FOUR

A business has: Cash FRW 48,000, account payable FRW 33,000, office equipment FRW 21,000, owner equity FRW 77,000. Assume there is no other balances except receivable, **what is the value of receivables?**

- A FRW 25,000
- B FRW 8,000
- C FRW 41,000
- D FRW 36,000

(2 Marks)

QUESTION FIVE

Basing on your knowledge of the elements of financial statements, **which of the following items may appear as current liabilities in a company's statement of financial position?**

- i) Revaluation surplus (Reserve)
- ii) Loan due for repayment within one year
- iii) Taxation (Payable)
- iv) Interest expense accrued

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

(2 Marks)

QUESTION SIX

During the year ending 31st December 2019, the company's liabilities have decreased by FRW 100,000 and its assets increased by FRW 80,000. **This means that equity must:**

- A Decrease by FRW 180,000
- B Increase by FRW 180,000
- C Decrease by FRW 20,000
- D Increase by FRW 20,000

(2 Marks)

QUESTION SEVEN

Which of the following statements is FALSE about accruals and prepayment?

- A Accrued incomes are recorded as current assets in the balance sheet
- B Prepaid expenses are recorded as current assets in the balance sheet
- C Prepaid Incomes are recorded as current assets in the balance sheet
- D Accrued expenses are recorded as current liabilities in the balance sheet

(2 Marks)

QUESTION EIGHT

Masizi is a sole trader in Kigali. At 1 May 2021 Masizi had an opening accrual of FRW 706,000 for motor expenses. During the year to 30 April 2022, they paid invoices for motor expenses of FRW 9,456,000. As at 30 April 2022, there was no closing accrual or prepayment.

What balance should Masizi enter on his trial balance for motor expenses?

- 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 NINE

A non-current asset was acquired on 1st January 2021 at cost of FRW 10,000,000 with expected useful life of 5 years and residual value of FRW2,000,000. **What is the depreciable amount?**

- A FW1,600,000
- B FRW 2,000,000
- C FRW Nil
- D FRW 8,000,000

(2 Marks)

QUESTION 10

The extended trial balance is used to adjust trial balance figures for:

- A Accruals and prepayments
- B Errors
- C Irrecoverable debts written off
- D All the above

(2 Marks)

QUESTION 11

Kenpol is business trader in Kayonza district. He has calculated his cost of sales to be FRW 200,000,000 for the month of September 2022. The profit margin on goods sold was 20%.

What is the sales figures of Kenpol for the month of September 2022?

- A FRW 40,000,000
- B FRW240,000,000
- C FRW 233,333,333
- D FRW 250,000,000

(2 Marks)

QUESTION 12

Which of the following correctly calculates the expense to be included in the profit and loss account taking into account accruals?

- A Accrued b/f + Current expense amount paid – Accrued expense c/f
- B Current expense amount paid+ Accrued b/f +Accrued c/f
- C Current expense amount paid –Accrued b/f + Accrued c/f
- D None of the above

(2 Marks)

QUESTION 13

A company started to pay insurance expense for its new motor vehicle. On 1st October 2021, they paid an amount of FRW 2,700,000 for 9 months ending 30 June 2022. The reporting date of the company is 31 December each year.

What amount of insurance expense should the company report in its profit or loss account for the year ended 31st December 2021?

- A FRW 900,000
- B FRW 2,700,000
- C FRW 1,800,000
- D None of the above

(2 Marks)

QUESTION 14

On 1 January 2022, Mr Ken opened a trading business and monthly rent of FRW 600,000 is paid on quarterly basis. She is preparing her accounts for the year ending 30 June 2022.

The rent paid during the year were as follows:

Date	FRW
31 March 2022	2,400,000
30 June 2022	1,800,000
Total	4,200,000

What is the prepaid rent for the year ending 30 June 2022?

- A FRW 4,200,000
- B FRW 3,600,000
- C FRW 1,800,000
- D FRW 600,000

(2 Marks)

QUESTION 15

Lincoln is a sole trader. They purchased goods at FRW 30,000,000 and sold part of these goods for FRW 35,000,000 at 25% Mark up.

What is the value of the closing inventory for Lincoln's business?

- A FRW 28,000,000
- B FRW 3,750,000
- C FRW 2,000,000
- D FRW 2,500,000

(2 Marks)

QUESTION 16

Which of the following statements about prepayments expenses are correct?

- i) Prepayments represent expenses that have been paid in advance.
- ii) Prepayments have an effect on both the statement of profit or loss and the statement of financial position.
- iii) If prepayments exceed accruals, the business does not have a going concern.

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

(2 Marks)

QUESTION 17

As at 31 December 2020, Mr Ben accounts showed an accrued rent payable of FRW 1,000,000. During the year ending 31 December 2021, the rent amounting to FRW6,200,000 was paid. The monthly payment for rent was FRW250,000. **At the end of the year 31 December 2021, Mr Ben rent account balance represent:**

- A Accrued rent expense of FRW 2,200,000
- B Prepaid rent expense of FRW 2,200,000
- C Prepaid rent expense of FRW 3,200,000
- D Accrued rent expense of FRW 3,200,000

(2 Marks)

QUESTION 18

The company has provided you with the following information:

	FRW “000”
Opening inventory	1,500
Accounts payable	1,750
Closing inventory	2,000
Gross profit	2,000
Purchases	900
Carriage inwards	500
Carriage outwards	600
Returns inwards	700
Returns outwards	360

What was the cost of sales if there were unrecorded purchases that represent 2% of the gross profit?

- A FRW 90,000
- B FRW 580,000
- C FRW 540,000
- D FRW 110,000

(2 Marks)

QUESTION 19

A partnership agreement is likely to specify the following except:

- A Any salary to be paid to partners.
- B Interest to be paid on any loans made to the partnership by a partner.
- C Share premium allocated to partners.
- D The proportion in which any residual profit is to be allocated between the partners.

(2 Marks)

QUESTION 20

The following information will be used on question 21& question 22.

A&B partnership has two partners Antony and Babou who share profit in the ratio of 2:1 respectively. The two partners contributed a capital of FRW 3,000,000 and FRW 2,000,000 for Antony and Babou respectively. The partnership made a profit of FRW 15,000,000 for the year ended 30 June 2022. Partners agreed to transfer FRW 6,000,000 of the profit in their current accounts based on their capital contributed and share the residual profit in their profit sharing ratios. There are no interests or salary to be added/deducted from the profit realized.

What amount will be transferred to the current accounts of partners?

- A FRW 4,000,000 for Antony and FRW 2,000,000 for Babou
- B FRW 2,000,000 for Antony and FRW 4,000,000 for Babou
- C FRW 2,400,000 for Antony and Frw 3,600,000 for Babou
- D FRW 3,600,000 for Antony and FRW 2,400,000 for Babou

(2 Marks)

QUESTION 21

Based on the information in Question 21, how will the partners share the residual profit?

- A FRW 3,000,000 for Antony and FRW 6,000,000 for Babou
- B FRW 6,000,000 for Antony and FRW 3,000,000 for Babou
- C FRW 10,000,000 for Antony and FRW 5,000,000 for Babou
- D FRW 4,000,000 for Antony and FRW 2,000,000 for Babou

(2 Marks)

QUESTION 22

The following information relates to ABY's business. Using the extended accounting equation, **what is the profit or loss?**

	FRW
Capital (Net assets) at beginning of year	186,000
Capital (Net assets) at end of year	274,000
During the year:	
Cash taken by owner	68,000
Additional capital introduced by owner	50,000
Goods taken by the owner	20,000

- A FRW 274,000 (Profit)
B FRW 126,000 (Loss)
C FRW 126,000 (Profit)
D 274,000 (Loss)
- (2 Marks)**

The following information will be used for the next 6 questions i.e. from question 23 to question 28.

The following account balances were extracted from the books of Fabrice (who is the proprietor of a fabric shop) at the end of his financial year 30 April 2022:

Account balances as at 30 April 2022

	FRW	FRW
Sales		60,000
Purchases	31,400	
Shop fittings (Cost)	26,000	
Capital		30,000
Opening inventory	9,400	
Bank	1,220	
Cash	200	
Shop wages	8,840	
Accounts receivable	240	
Drawings	7,000	
Accounts payable		4,060
Light and heat	520	
Rent	9,000	
Insurance	240	
Total	94,060	94,060

In preparing the year-end accounts, the following should be accounted for:

- i) The inventory at the end of the year was valued at FRW 8,800
- ii) The shop fittings are depreciated at 20% per annum straight line
- iii) Light and heat bills accrued as at 30 April 2022 are equivalent to FRW 180
- iv) The above amount of rent include a prepayment of FRW 3,000 as at 30 April 2022
- v) The provision for doubtful debt of 5% on the gross receivable is to be provided. There were no bad debts written off during the year.

QUESTION 23

What will be the amount of cost of goods sold to report in the profit or loss account for the year ended 30 April 2022?

- A FRW 31,400
- B FRW 22,600
- C FRW 30,800
- D FRW 32,000

(2 Marks)

QUESTION 24

The rent expense to report in profit and loss account will be?

- A FRW 9,000
- B FRW 6,000
- C FRW 3,000
- D FRW 12,000

(2 Marks)

QUESTION 25

The light and heat expense to report in profit and loss account will be?

- A FRW 700
- B FRW 340
- C FRW 520
- D FRW 180

(2 Marks)

QUESTION 26

What will be the carrying amount of shop fittings to report in the statement of financial position as at 30th April 2022?

- A FRW 26,000
- B FRW 5,200
- C FRW 20,800
- D FRW 31,200

(2 Marks)

QUESTION 27

What will be the amount of receivables to report in the statement of financial position as at 30th April 2022?

- A FRW 252
- B FRW 12
- C FRW 240
- D FRW 228

(2 Marks)

QUESTION 28

The amount of prepayments and accruals to report in the statement of financial position as at 30 April will be?

- A FRW 3,000(Prepaid expense-asset) and FRW 180(Accrued expense –Liability)
- B FRW 3,000(Prepaid Expense-Liability) and FRW 180 (Accrued expense –Asset)
- C FRW 180 (Prepaid expense – Asset) and FRW 3000(Accrued expense –Liability)
- D FRW 180 (Prepaid expense – Liability) and FRW 3000(Accrued expense –Asset)

(2 Marks)

Use the information below to answer questions 29-31 i.e 29,30,31

You are provided with the following trial balance of Mr Ibou for the year ending 30 December 2021

Items	FRW	FRW
Sales Revenues		2,700,000
Cost of sales	1,413,000	
Motor vehicle-Carrying amount	2,170,000	
Inventory	423,000	
Bank	240,000	
Cash	360,000	
Salaries and wages	396,000	

Items	FRW	FRW
Accounts receivable	228,000	
Bank loan interest expense	224,000	
Accounts payable		45,000
Commission income		90,000
Electricity and water	72,000	
Rent income		63,000
Insurance expense	405,000	
Allowance for receivables		12,000
Prepaid Rental income		25,000
Accrued bill of electricity		17,000
Loan from BPRN		2,779,000
Ovedrawn Bank account		200,000
	5,931,000	5,931,000

QUESTION 29

What is the net profit for the year ending 30 December 2021?

- A FRW579,000.
- B FRW343,000.
- C FRW326,000.
- D FRW529,000.

(2 Marks)

QUESTION 30

From the information in question 29, what is the net profit margin (Round up to 2 decimals)?

- A 21.44%.
- B 12.07%.
- C 12.70%
- D 19.59%

(2 Marks)

QUESTION 31

From the information in question 29, what is the value of total assets?

- A FRW 3,634,000
- B FRW 3,409,000
- C FRW 3,421,000
- D FRW 3,621,000

(2 Marks)

QUESTION 32

Assume that the business disposed the photocopier at the end of 2021 for FRW 1,050,000 cash. **How would these proceeds from disposal be recorded?**

- A Dr Cash Account FRW 1,050,000; Cr Disposal Account FRW 1,050,000
- B Dr Cash Account FRW 1,050,000, Cr Sales Account FRW 1,050,000
- C Dr Cash Account 1,050,000; Cr Other Income Account 1,050,000
- D Dr Cash Account 1,050,000; Cr Capital Account 1,050,000

(2 Marks)

QUESTION 33

Mahoro acquired a motor vehicle on 01 January 2018 at FRW 3,600,000. The motor vehicle re depreciated at 30% reducing balance. On 31 December 2021, the motor vehicle was disposed of for FRW 1,050,000. **The amount reported in profit or loss for the year ended 31 December 2021 was?**

- A FRW 2,550,000(Loss)
- B FRW 185,640 (Profit)
- C FRW 2,550,000 (Profit)
- D FRW 185,640 (Loss)

(2 Marks)

QUESTION 34

A Depreciable amount of an asset is:

- A Its cost minus accumulated depreciation
- B Its cost minus carrying amount
- C Its cost or other amount substitute for its cost minus residual value
- D Its cost divided by the useful life

(2 Marks)

QUESTION 35

The following are characteristics of VAT exempt supplies except;

- A No VAT is charged on them
- B They are not taken into account in determining whether a business should be registered for VAT.
- C Input tax attributed to them is not normally available for credit.
- D They are only known by Rwanda Revenue Authority.

(2 Marks)

QUESTION 36

Which of the following statements are correct about VAT?

- i) Value Added Tax (VAT) is not a tax on income
- ii) VAT is levied on expenditure
- iii) VAT is a tax on the turnover of taxable supplies of goods and services made in Rwanda by VAT registered business in the course or furtherance of any business carried on by them
- iv) The tax will be borne by the final consumer of the goods and services, not the business that collects and pays VAT to the authorities.

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

(2 Marks)

QUESTION 37

What statement is not correct about input VAT among the following?

- A Input tax is VAT incurred on expenses.
- B The amount of VAT payable by a VAT registered trader is the excess of input tax over output tax.
- C Input VAT is normally recoverable by way of credit against output tax if that input tax is incurred on supplies used to make taxable supplies.
- D The amount of VAT payable by a VAT registered trader is the excess of output tax over input tax.

(2 Marks)

QUESTION 38

What statement is not correct about output VAT among the following?

- A Output tax is VAT on the turnover
- B Output VAT is credited to VAT account
- C Output VAT is also an income tax
- D Output VAT is the potential amount of VAT payable by a VAT registered business.

(2 Marks)

QUESTION 39

For the purposes of VAT, supplies of goods and services are classified into taxable and exempt supplies. If goods or services are taxed at 0%, they should be referred to as:

- A Zero rated supplies.
- B Exempt supplies.
- C Standard rated supplies.
- D None of the above

(2 Marks)

QUESTION 40

During the VAT declaration process, the following Tabs are used:

- i) Purchase Tab
- ii) Sales Tab
- iii) VAT importation Tab
- iv) VAT retained Tab

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

(2 Marks)

QUESTION 41

The declaration and payment of the VAT tax due must be lodged within fifteen (15) days after the end of the concerned period (Month or quarter) using the correct form downloaded from the RRA website. The declaration should include all transactions for the concerned period.

If the tax period in question is the month of August 2022, then the VAT declaration should be completed for all transactions from?

- A 1st to 31st August 2022
- B 1st August to 15th September 2022
- C 1st August to 15th August 2022
- D 1st September t to 15th September 2022

(2 Marks)

QUESTION 42

In relation to the violation of VAT Law, a tax payer can be imprisoned if he/she:

- A Lately declared VAT or did not pay the amount due.
- B Is convicted for voluntarily evading tax through the use of false accounts, falsified documents or any other act punishable by law.
- C Did not register for VAT when required to do.
- D All the above.

(2 Marks)

QUESTION 43

Which of the following statements describes the treatment of a 10%, 3-years loan in the statement of financial position?

- A It is recognized as non-current asset
- B It is recorded as non-current liability
- C It is recorded as current liability
- D It should be split into both non-current and current liability components

(2 Marks)

QUESTION 44

How do we record an acquired non-current asset in the books of accounts?

- A The non-current asset acquired on credit is debited as non-current asset and credited as loan repayable
- B When a non-current asset is acquired by cheque, it is debited as non-current asset and credited at bank account
- C When a non-current is acquired through lease it is debited as non-current asset and credited as Lease payable but the leasing company retains the ownership
- D All the above

(2 Marks)

QUESTION 45

The following statements are true about non-current assets register except

- A A non-current assets register is a detailed list of all fixed assets which are owned by a business
- B A non-current asset register enables an organization to accurately record and maintain both financial and non-financial information pertaining to each asset
- C A non-current asset register helps to easily identify and verify an asset when required.
- D A non-current assets register is only updated when there is acquisition of new asset

(2 Marks)

QUESTION 46

Which of the following statements is/are false

- A Non-current assets are part of double entry system because they are used to record the acquisition of a non-current asset
- B Assets should be removed from the register when they are fully depreciated
- C Asset register must be prepared for any organization irrespective of the size
- D All statements are false

(2 Marks)

QUESTION 47

As at 1 January 2021 Miss Tina had machinery with cost of FRW 12,000,000 with estimated residual value of FRW1,250,000 and it is expected to be used for the next 5 years. It is her policy to depreciate Machinery using straight-line method

What was the depreciation charge of the machinery for the year ending 31 December 2022?

- A FRW 2,400,000
- B FRW 1,250,000
- C FRW 2,150,000
- D FRW 10,750,000

(2 Marks)

QUESTION 48

Mageruka, had motor vehicle that costed FRW 7,000,000 with the carrying amount of FRW 5,000,000 as at 1 January 2021. During the year she acquired a motor vehicle of FRW 6,000,000. Motor vehicle is depreciated using reducing balance method at 5% per annum (full year's depreciation in the year of acquisition). **What is the depreciation charge for the motor vehicle? for the year ending 31 December 2022?**

- A FRW 550,000
- B FRW 650,000
- C FRW 250,000
- D FRW 300,000

(2 Marks)

QUESTION 49

How the depreciation charge for the year is recorded in the books of account??

- A Debit Accumulated Depreciation, Credit Depreciation expense
- B Debit Depreciation; Credit asset
- C Debit Depreciation expense; Credit Accumulated Depreciation
- D None of the above

(2 Marks)

QUESTION 50

In case of disposal of a non-current, which of the following entries will recognize the proceeds from disposal?

- A Debit disposal of non-current assets a/c; Credit non-current a/c
- B Debit bank a/c; Credit disposal of non-current assets a/c
- C Debit disposal of non-current assets a/c; Credit P&L a/c
- D Debit P&L a/c; Credit disposal of non-current assets a/c

(2 Marks)

End of question paper

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