



CERTIFIED PUBLIC ACCOUNTANT FOUNDATION LEVEL 1 EXAMINATION

F1.3: FINANCIAL ACCOUNTING

DATE: TUESDAY 27, MAY 2025

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.**
4. Section B has **four questions** and only **three questions** are to be attempted.
5. Marks allocated to each question are shown at the end of the question.
6. Show all 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) What is the difference between financial accounting and management accounting? (2 Marks)

b) Generally Accepted Accounting Principles (GAAP) is a technical accounting term that encompasses the conventions, rules and procedures necessary to define accepted accounting practice at a particular time. It includes not only broad guidelines of general application, but also detailed practices and procedures. These conventions, rules and procedures provide a standard by which to measure financial presentations. GAAPs are mainly driven from countries' company laws, local and international standards, stock exchange requirements, the International Framework for the preparation and presentation of financial statements.

Required:

Identify and explain main 4 GAAPs assumptions? (8 Marks)

c) The trial balance below was extracted from books of Gakwaya & Sons Ltd as at 31st October 2023

Particulars	FRW"000"	FRW"000"
Buildings	90,000	
Motor Vehicle	99,000	
Furniture	9,200	
Share capital		125,000
Inventory as at 01/11/2022	34,600	
Receivables and Payables	44,000	28,500
Bad debts	1,250	
Allowance for bad debts		2,000
Purchases and Sales	54,750	154,500
Returns	2,000	1,250
Bank		28,500
Advertisements	4,500	
Interest income on the term deposit account		3,750
Salary and wages expenses	33,000	
Cash	3,200	
Selling expenses	2,300	
Furniture Depreciation as at 01/11/2022		2,800
Buildings Depreciation as at 01/11/2022		15,000
Motor Vehicle Depreciation as at 01/11/2022		16,500
Total	377,800	377,800

Additional information:

1. Stock as at 31/10/2023 was valued at FRW 56,000,000. However, during the stock evaluation and analysis post reporting date, it was noted that inventory valued at FRW 18,600,000 was damaged and required some repair and maintenance of FRW 11,000,000 for them to be ready for use.
2. A customer for FRW 6,000,000 included in sales ledger, returned 50% of the goods which were sold at 20% profit on cost. No entry had been made in the books for this return while goods were taken to stock at selling price.
3. A purchase of FRW 3,000,000 was made for the manager and included in purchases. A deduction of similar amount was made from his salary and the net payment to him was posted to salary account.
4. A motor vehicle valued at FRW 20,000,000, purchased on 01/11/2020, was incorrectly written off to the Profit and Loss Account in the financial year ended 31/10/2021. The company has now decided to reinstate the asset in its books as of 01/11/2022 and apply depreciation at the rate of 10% per annum using the reducing balance method. The asset has not been included in the balance reported in the trial balance; however, depreciation on the vehicle had been correctly charged in prior years.
5. Sales included FRW 15,000,000 for sale of goods in cash on behalf of Karongi Ltd. Gakwaya & Sons Ltd are entitled to a commission at 10% on sales in addition to expenses incurred by them in connection with these sales for which no adjustment had been made. His trade expenses included FRW 500,000 as selling expenses for these goods.
6. On comparing the Cash Book with the Bank statement, the following discrepancies were noted;
 - A cheque of FRW 1,500,000 from a debtor deposited with to the bank in October 2023 for payment was dishonored on 28th October 2023 but no entry had been made in the Cash Book.
 - Bank charges of FRW 50,000 and interest on overdraft FRW 450,000 had not been recorded in the Cash Book.
 - An amount of FRW 17,500,000 was deposited on the company's bank account by one of the shareholders as a capital injection. On 31/10/2023, the shareholder had not informed the company of the deposit and therefore the transaction was not recorded anywhere in the company's books
7. Charge for depreciation on building is at 2% and on other non-current assets is at 10% per annum on reducing balance method.

Required:

- i) Prepare Gakwaya & Sons Statement of Profit or Loss and other comprehensive income for the financial year ended 31st October 2023 in accordance with IAS 1.
(20 Marks)
 - ii) Prepare Gakwaya & Sons Statement of Financial Position as at 31st October 2023
(10 Marks)
- (Total: 40 Marks)**

SECTION B

QUESTION TWO

a) A company issued 1,000 shares at FRW 10 per share, and shareholders were required to pay FRW 5 upon application and FRW 5 upon allotment. However, one shareholder, Mr. Bucyekabiri, failed to pay the second instalment. As a result, the company forfeited his shares.

Required:

- i) Provide all necessary double-entry journal entries for the forfeiture of Mr. Bucyekabiri's 100 shares. (4 Marks)
- ii) Define the concept "forfeiture of shares" in corporate finance and explain under what circumstances shares are typically forfeited. (4 Marks)

b) Manyuwa manufactures bags for use in the regional markets. The following information was provided for the year ended 31 July, 2023

	FRW
Raw materials used	14,000,000
Direct factory wages	9,100,000
Royalties for bags design	2,800,000
Other factory overheads	70,000,000
Opening Inventory:	
Work in progress	2,450,000
Finished goods (at Transfer Price)	6,300,000
Closing Inventory:	
Work in progress	3,500,000
Finished goods (at Transfer Price)	7,700,000
Sales	220,500,000

Additional information:

1. Goods are transferred from the factory to the warehouse at a mark-up of 25%
2. The factory manager is entitled to a commission of 20% of the profit before the commission (this had not been included in the other factory overheads)

Required:

- i) Prepare the manufacturing account (clearly showing the prime cost, manufacturing cost, manufacturing profit and transfer value) (8 Marks)
- ii) Prepare an extract of the income statement (showing clearly the gross profit/loss from trading, Manufacturing profit and increase/ decrease in allowance for Unrealized profit on closing) (4 Marks)

(Total: 20 Marks)

QUESTION THREE

- a) Mayaga Handball club's treasurer presented to you the following receipts and payments account for the year ended 28 February 2023

Receipts	FRW	Payments	FRW
Opening balance	70,000	Hire of sports field	600,000
Subscriptions received	3,350,000	Purchase of bar supplies	850,000
Donations	205,000	Purchase of equipment for hire	3,250,000
Bar sales	1,550,000	Managers salary	2,000,000
Proceeds from equipment hire	1,845,000	Players' allowance	1,550,000
Tickets sale	800,000	Other expenses	330,000
Interest income	300,000		
Closing balance	460,000		-
	8,580,000		8,580,000

Assets and liabilities at the different dates were as follows:

	28 February 2023	1 Marh 2022
	FRW	FRW
Subscriptions:		
In Advance	375,000	500,000
Accrued	230,000	335,000
Other expenses; In Advance	18,000	27,500
Accrued	12,500	8,000
Bar creditors	85,000	75,000
Inventories of bar supplies	215,000	175,000
Equipment for hire (cost)	?	4,650,000
Accumulated depreciation	?	650,000
6-year fixed deposit in a commercial bank	2,000,000	2,000,000

Depreciation on sports equipment available for hire is to be provided at 10% per annum using the reducing balance method. In accordance with the association policy, a full year's depreciation is charged on all new assets acquired during the year, while no depreciation is charged in the year of disposal.

Required:

- Prepare accumulated fund as at 01 March 2022 (5 Marks)
 - Prepare Income and expenditure account for the year ended 28 February 2023 (Show clearly gross profit/loss from the bar) (9 Marks)
 - Give any 3 reasons why companies/businesses should report the effect of climate and environmental issues on their financial statements. (6 Marks)
- (Total: 20 Marks)**

QUESTION FOUR

- a) The following relates to the information extracted from the records of Mr. GATETE for the month ended 30 November 2022

Mr GATETE Cashbook (Bank Column only)

Date	Details	Amount	Date	Details	Amount
01/11	Bal b/d Adjusted	420,000	05/11	JADE 04	80,000
09/11	BINGO	50,000	10/11	DAVID 05	130,000
15/11	MONTANA	220,000	17/11	WILSON 06	40,000
29/11	JEAN	80,000	28/11	PEDRO 07	120,000
30/11	MIKE	85,000	28/11	ALPHA 08	80,000
			30/11	Petty Cash 09	40,000
			30/11	Bal c/d	365,000
		<u>855,000</u>			<u>855,000</u>

The Bank Statement showed Mr. GATETE's account as follows:

Date	Details	Debit	Credit	Balance
		FRW	FRW	FRW
01/11	Starting Balance			440,000
02/11	Cheque - CHARLES		70,000	510,000
03/11	Lobito 03	90,000		420,000
08/11	JADE 04	80,000		340,000
10/11	Cheque – BINGO		50,000	390,000
10/11	DAVID 05	130,000		260,000
17/11	Cheque – MONTANA		220,000	480,000
19/11	WILSON 06	40,000		440,000
29/11	Standing order - Water Bill	100,000		340,000
29/11	Bank charges	35,000		305,000
30/11	Transfer –MANASSEH		75,000	380,000
30/11	GATETE - 09	40,000		340,000

Additional information:

1. Bank interest of FRW 20,000 on GATETE's fixed deposit account for the month of October has not been included in the October cash balance, as the amount was deposited on the last day of the month. Interest on fixed deposit accounts is typically transferred to clients' current accounts at month-end.
2. The bank has erroneously transferred an amount of FRW 75,000 to the account of Mr. GATETE, following an instruction from its client, MASASSEH. This amount was intended for Mr. GATERA, another client of the bank.

Required:**i) Prepare Adjusted cashbook (4 Marks)****ii) Prepare Bank reconciliation statement for the month of November 2022 (6 Marks)****b) Mr. Murigo had the following information for the month of June 2023 for sales and purchases.**

Description	Balances
	FRW
Debtors opening debit balance	3,360,000
Creditors opening credit balance	2,584,000
Debtors opening credit balance	168,000
Creditors opening debit balance	152,000
Total Sales (30% in cash)	19,200,000
Total Purchases (40% cash)	14,000,000
Bad debts	520,000
Allowance for doubtful debts	600,000
Cash received from debtors	1,600,000
Cash paid to creditors	2,000,000
Cheques received from debtors	9,600,000
Cheques paid to creditors	4,800,000
Cash Refund to debtors	356,000
Returns inwards	208,000
Discounts received	180,000
Interest charged on overdue debtors	580,000
Returns outwards	172,000
Discounts allowed	60,000
Debtor cheques dishonored	560,000
Contras	212,000
Creditors closing debit balance	92,000
Debtors closing credit balance	140,000

Required:**Prepare Purchases and Sales Ledger control accounts for the month of June 2023 for Mr. Murigo (10 Marks)****(Total: 20 Marks)**

QUESTION FIVE

a) IFRS 15 Revenue from Contracts with Customers replaced IAS 18 Revenue and IAS 11 Construction Contracts effective for annual reporting periods beginning on or after 1 January 2018. According to IFRS 15 revenue from contracts with customers generally revenue is recognised when the entity has transferred control of goods and services(asset) to the buyer.

Required:

In accordance with IFRS 15 Revenue from contracts with customers, **what does control of an asset mean?** (2 Marks)

b) The key principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This is achieved by applying a five step model:

Required:

In accordance with IFRS 15 Revenue from contracts with customers, **identify and explain 5 steps followed while recognizing revenue from contracts with customers?** (10 Marks)

c) Kendle Motors Ltd (KML) is a partnership registered under Rwandan law and operates in the city of Nyagatare. The company is engaged in the assembly of Chinese-manufactured vehicles in Rwanda. Its financial year begins on 1st October and ends on 30th September each year. As at 30th September 2023, the partnership reported a closing inventory of raw materials valued at FRW 146,800,000. However, during a post-reporting period stock review, the Chief Accountant identified that a portion of these materials was damaged and would require repairs before they could be used in the car assembly process. The damage assessment indicated that repairs would cost FRW 39,685,600. Once repaired, the materials are expected to be saleable at a value of FRW 107,890,000.

Required:

i) In accordance with IAS 2 Inventories, **determine the value of the inventory to be recognized during the financial statements for the year ended 30th September 2023.**

(6 Marks)

ii) **Prepare Profit or Loss Statement extract for the year ended 30th September 2023 assuming the partnership has a draft profit of FRW 48,000,000 before adjustment.**

(2 Marks)

(Total: 20 Marks)

End of Question Paper