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**CERTIFIED PUBLIC ACCOUNTANT  
INTERMEDIATE LEVEL EXAMINATION**

**11.2: FINANCIAL REPORTING**

**DATE: TUESDAY 27, MAY 2025**

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**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 **three compulsory questions** while Section **B** has **two questions, one question** to be attempted.
4. In summary attempt **four questions, three questions** in section **A** and **one** in section **B**.
5. Marks allocated to each question are shown at the end of the question.
6. Show all your workings where applicable.
7. The question paper should not be taken out of the examination room.



## SECTION A

### **QUESTION ONE**

a) During the year ended 31 December 2023, Hyper Mart Limited operating in Musanze entered into two lease transactions.

On 1 January 2023, the company made a payment of FRW 9,000,000 being the first of five equal annual payments under a lease for machinery to be used in its operations. The lease has an implicit rate of 10% and the present value of the total lease payment on 1 January 2023 was FRW 34,000,000.

On 1 April 2023, the company made a payment of FRW 1,800,000 for a one-year lease of equipment.

#### **Required:**

i) **Prepare extract financial statements of Hyper Mart Limited for the year ended 31 December 2023 based on the transactions.** (6 Marks)

ii) IFRS 16 Leases permits certain assets to be exempt from the recognition treatment for right-of-use assets. **What are these assets exempted under IFRS 16 and explain leases that are exempt from recognition as right-of-use assets.** (4 Marks)

b) Gasabo group operates a division that has the following balances in the financial statements:

Description	Amount (FRW)
Goodwill	7,000,000
Plant and machinery	950,000,000
Building	2,300,000,000
Intangible assets	8,000,000
Other net assets	4,300,000

At the end of 2023, it is determined that the recoverable amount of the division is FRW 3,000,000,000. A valuation on the building indicated that it had a market value of FRW 2,500,000,000. The other net assets are at their recoverable amount. Gasabo group uses the cost model for the valuation of buildings as well as plant and machinery.

#### **Required:**

i) **Explain three factors that can be indicators of impairment of an asset. Include one internal factor.** (3 Marks)

ii) **Calculate the balance of above assets at the end of the year after taking into account impairment.** (7 Marks)

**(Total 20 marks)**



## QUESTION TWO

a) UBUZIMA BWIZA is a large multi manufacturing company producing Precision machining, cutting, bending, and rolling with state-of-the-art CNC and conventional equipment. The company also have Advanced foundry processes with industry-leading quality assurance for reliable products. The company's growth over past two years was above industry expectation and the directors requested cash flow analysis to see if the company has enough cash to finance the growth.

The published financials statements and summary of the notes for the year ended 31 December 2024 are shown below:

**Extract statement of total comprehensive income for the year ended 31 December 2024:**

<b>PARTICULARS</b>	<b>31-Dec-24</b>
	<b>FRW 000</b>
Gross Profit	(16,958)
Other income	422,274
	<b>405,317</b>
<b>Expense</b>	
Administrative expenses	(460,838)
Staff costs	(594,590)
<b>Profit Before Finance costs</b>	<b>(650,111)</b>
Finance costs	(914,011)
<b>Profit Before Taxes</b>	<b>(1,564,122)</b>
Income Tax	-
<b>Profit for the period</b>	<b>(1,564,122)</b>
<b>Other comprehensive income</b>	
Revaluation surplus on assets	3,764,000
<b>Total Comprehensive income</b>	<b>2,199,878</b>



**Statement of financial position for the year ended 31 December 2024 and 2023 :**

	<b>31-Dec-24</b>	<b>31-Dec-23</b>
<b>ASSETS</b>	<b>FRW000</b>	<b>FRW000</b>
<b>Non-Current Assets</b>		
Plant, Property and Equipment	12,919,134	4,260,141
Intangible asset	8,125	10,625
Deferred Tax		243,570
<b>Total Non-Current Asset</b>	<b>12,927,259</b>	<b>4,514,336</b>
<b>Current Assets</b>		
Inventory	472,815	380,129
Trade and other receivables	1,035,500	1,457,234
Cash and cash equivalents	863,493	298,486
Non-current assets held for sale	16,870	233,336
<b>Total Current Asset</b>	<b>2,388,678</b>	<b>2,369,185</b>
<b>Total Assets</b>	<b>15,315,937</b>	<b>6,883,521</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Owners' Equity</b>		
Stated capital	1,546,669	1,546,669
Retained earnings	(362,749)	1,518,728
Revaluation reserve	3,927,519	163,519
<b>Total capital and reserves</b>	<b>5,111,439</b>	<b>3,228,916</b>
<b>Non-current liabilities</b>		
Loan from shareholders	1,833,041	2,103,428
Bank loan	887,247	
<b>Total non-current liabilities</b>	<b>2,720,288</b>	<b>2,103,428</b>
<b>Current liabilities</b>		
Trade and other payables	2,166,450	1,066,123
Interest Payable	254,509	38,173
Short term Bank loan	5,056,143	167,564
Provisions	7,108	11,299
Income tax		268,018
<b>Total current liabilities</b>	<b>7,484,210</b>	<b>1,551,177</b>
<b>Total Equity and Liabilities</b>	<b>15,315,937</b>	<b>6,883,521</b>

**Additional information:**

- The final dividends were declared after 31 December 2024 but before the financial statements are authorized for issue. The interim dividend of FRW 73,786,000 was declared in June 2024 and paid in August 2024, while the final dividends of FRW 243,570,000 were reported in the other payables as at 31 December 2024. The final dividend will be approved in the directors meeting to be held in March 2025.



2. The asset held for sale with netbook value of FRW 216,466,000 were disposed of at a loss of FRW 84,266,000.
3. The movement in provision are recorded in profit or loss account.
4. The company monitor the asset replacement policy and during the year there was revaluation on property, plant and equipment and revaluation reserve was recorded in the equity under reserve.
5. The depreciation expense for intangible asset was FRW 2,500,000 while depreciation charge for property, plant and equipment was FRW 2,716,665,000.
6. During the period, the company changed the accounting policy and the deferred tax was approved by tax authority as tax credit for 2024 as there is no more temporary difference.

**Required:**

In accordance with IAS 7 Statement of Cash Flows, **prepare the statement of cash flows of UBUZIMA BWIZA for the year ended 31 December 2024.** (25 Marks)

b) IPSAS 3, Accounting Policies, Changes in Accounting Estimates and Errors, replaces the previous version of IPSAS 3 titled Net Surplus or Deficit for the Period, Fundamental Errors and Changes in Accounting Policies (issued in May 2000), and should be applied for annual reporting periods beginning on or after January 1, 2008.

**Required:**

In accordance with IPSAS 3 **explain the following terms:**

- i) **Retrospective application.** (2 Marks)
- ii) **Retrospective restatement.** (2 Marks)
- iii) **Explain treatment of the retrospective application on opening balances when there is a change in the accounting policy.** (1 Mark)

**(Total: 30 marks)**



### QUESTION THREE

Elon Holding Ltd, a multi-construction company based in Kigali signed implementation agreement with government for affordable houses intended to construct cheap houses for low earning income families. To achieve this aim, on 1 August 2024, Elon Holding acquired Bill Construction, a company specialised in design, architecture, and concrete cement manufacturing.

The details of the separate financial statements for the year ended 31 December 2024 are shown below:

	Elon Holding Ltd	Bill Construction Ltd
	FRW"000"	FRW"000"
Revenue	10,689,931	4,316,860
Direct costs	(8,838,678)	(2,759,666)
<b>Gross Profit</b>	<b>1,851,253</b>	<b>1,557,194</b>
Other income	8,787	96,800
<b>Expenses</b>		
Administration costs	(69,152)	(662,501)
Distribution costs	(380,809)	(194,327)
<b>Operating profit/(loss)</b>	<b>1,410,079</b>	<b>797,167</b>
Finance costs	(1,235)	(36,261)
<b>Profit/(loss) before tax</b>	<b>1,408,844</b>	<b>760,906</b>
Tax expense/credit	(394,476)	(158,846)
<b>Profit for the year</b>	<b>1,014,368</b>	<b>602,060</b>

### Extract statement of financial position as at 31 December 2024

	Elon Holding Ltd	Bill Construction Ltd
	FRW"000"	FRW"000"
<b>Equity</b>		
Share capital of FRW 10,000 for every share	25,000,000	20,000,000
Retained earning	17,500,000	1,834,000

### Additional information:

- On 1 August 2024, Elon Holding acquired FRW 15 billion share capital of the Bill construction by paying FRW 12,000 for every share acquired. The fair value of one share of Bill Construction Ltd was FRW 12,000.
- The fair value of net assets of Bill Construction on acquisition was FRW 22.5 billion and the difference between fair value of net assets and their book value at acquisition date relates to property, plant and equipment being depreciated through Direct costs over a remaining useful life of 10 years from the acquisition date. The fair value and book value difference for assets had not been accounted for until 31 December 2024.



3. The goodwill in bill Construction Ltd was impaired by 10% as at 31 December 2024.
4. During the year, Bill Construction Ltd sold concrete cement materials worth FRW 200 million of goods to Elon holding Ltd. The three quarter of these materials had been sold to third parties as part of completed affordable houses by the year end. The profit margin applicable by Bill Construction Ltd is 40%.
5. The company's policy allows parent to charge management fees based on technical expertise provided to subsidiaries. During the year management fees charged by Elon Holding to Bill construction Ltd was FRW 23.5 million, the transaction was recorded by both companies in their separate accounts. The technical expertise is provided during the design phases and it is carried out in support of experts from Elon Holding.
6. On 20 February 2025, Quincaillerie Alpha, one of the customer of the Bill Construction that had delayed its payments for four months, declared bankrupt through court and this was published in the official gazette. The amount owed Quincaillerie Alpha to Bill Construction was FRW 321.3 million

**Required:**

- a) **Compute good will arising on acquisition of Bill Construction Ltd** (5 Marks)
  - b) **Prepare the consolidated statement of profit or loss for Elon holding Ltd for the year ended 31 December 2024.** (20 Marks)
  - c) **Outline the circumstance where parent could be exempted to includes subsidiary in its consolidated financial statements.** (5 Marks)
- (Total: 30 Marks)**



## SECTION B

### QUESTION FOUR

a) IPSAS 1 (Presentation of Financial Statements) gives general guidance on the types of financial statements to be prepared in the public sector (along with IPSAS 2 on the cash flow statement). It should be applied to all general-purpose financial statements prepared and presented under the accrual basis of accounting in accordance with IPSASs. In common with most IPSASs, it applies to all public sector entities other than Government Business Enterprises which use IFRSs for their financial reporting.

IAS 1- Presentation of financial statements provides guidance to be followed for preparing and presenting general purpose financial statements in accordance with International Financial Reporting Standards (IFRSs) using accrual accounting.

**Required:**

**Explain the main differences between IPSAS 1 and IAS 1 presentation of financial statements. (10 Marks)**

b) Below is the draft list of transaction of IPAD International, a government project that contributes to pro-poor national economic growth and improves the livelihoods of rural households.

**Transaction listing for the period ended 31 March 2023 :**

	<b>Budget categories</b>	<b>Budget for the period FRW'000</b>	<b>Actual payments for the period FRW'000</b>
Activity 1	Staff Cost	43,000	53,264
Activity 2	Staff Cost	110,664	90,498
Activity 3	Staff Cost	1,035	776
Activity 1	Training, workshops, and conference	10,752	8,064
Activity 2	Training, workshops, and conference	33,821	55,366
Activity 3	Training, workshops, and conference	4,848	3,186
Activity 1	Travel costs	40,101	30,308
Activity 2	Travel costs	25,765	21,574
Activity 3	Travel	9,924	7,218
Activity 2	Social assistance	29,443	37,082
Activity 2	Grants to selected beneficiaries' projects	15,200	33,900
Activity 3	Grants to selected beneficiaries' projects	78,333	55,000
Activity 2	Professional/ Contractual Services	22,955	19,466
Activity 3	Professional/ Contractual Services	65,581	46,936
<b>Total</b>		<b>491,422</b>	<b>462,638</b>



The unpaid expenses for the period ended 31 March 2023 were as follows:

	FRW 000	Budget category
Salaries and wages	22,000	Activity 1
Mission allowances	12,400	Activity 3
Training fees of consultant who coached cooperatives	34,100	Activity 2
Terminal benefits for staff in retirement	2,350	Activity 3
Motor vehicle hire	7,419	Activity 1
Bonus to staff	5,230	Activity 2

**Required:**

**Prepare budget performance report to be embedded in the financial reports for the period ended 31 March 2023.**

(10 Marks)

**(Total: 20 Marks)**

### QUESTION FIVE

a) Just in time Limited had 1 million shares on 1 January, 2023. The company issued 200,000 shares at market value on 1 April, 2023 which was followed by a 1 for 5 bonus issue on 1 August, 2023 and a further 300,000 shares were issued at market value on 1 October 2023. The profit for the year ended 31 December 2023 was FRW 220,000,000.

**Required:**

**Calculate the following:**

- The weighted average number of shares for Just in time Limited for the year.** (5 Marks)
- The basic earnings per share for Just in Time Limited.** (2 Marks)

b) Ever present Limited issues 2% convertible bonds at their nominal value of FRW 36,000,000 on 1 January 2023. Interest is payable annually in arrears. The bonds are convertible at any time up to maturity into 4 ordinary shares for each FRW 1,000 of bond. Alternatively, the bonds will be redeemed at par after 3 years. Similar bonds that are non-convertible carry an interest rate of 9.1%. the present value of FRW 1 payable at the end of year, based on rates of 2% and 9.1% are as follows:

Year	2%	9.1%
1	0.98	0.92
2	0.96	0.84
3	0.94	0.77

**Required:**

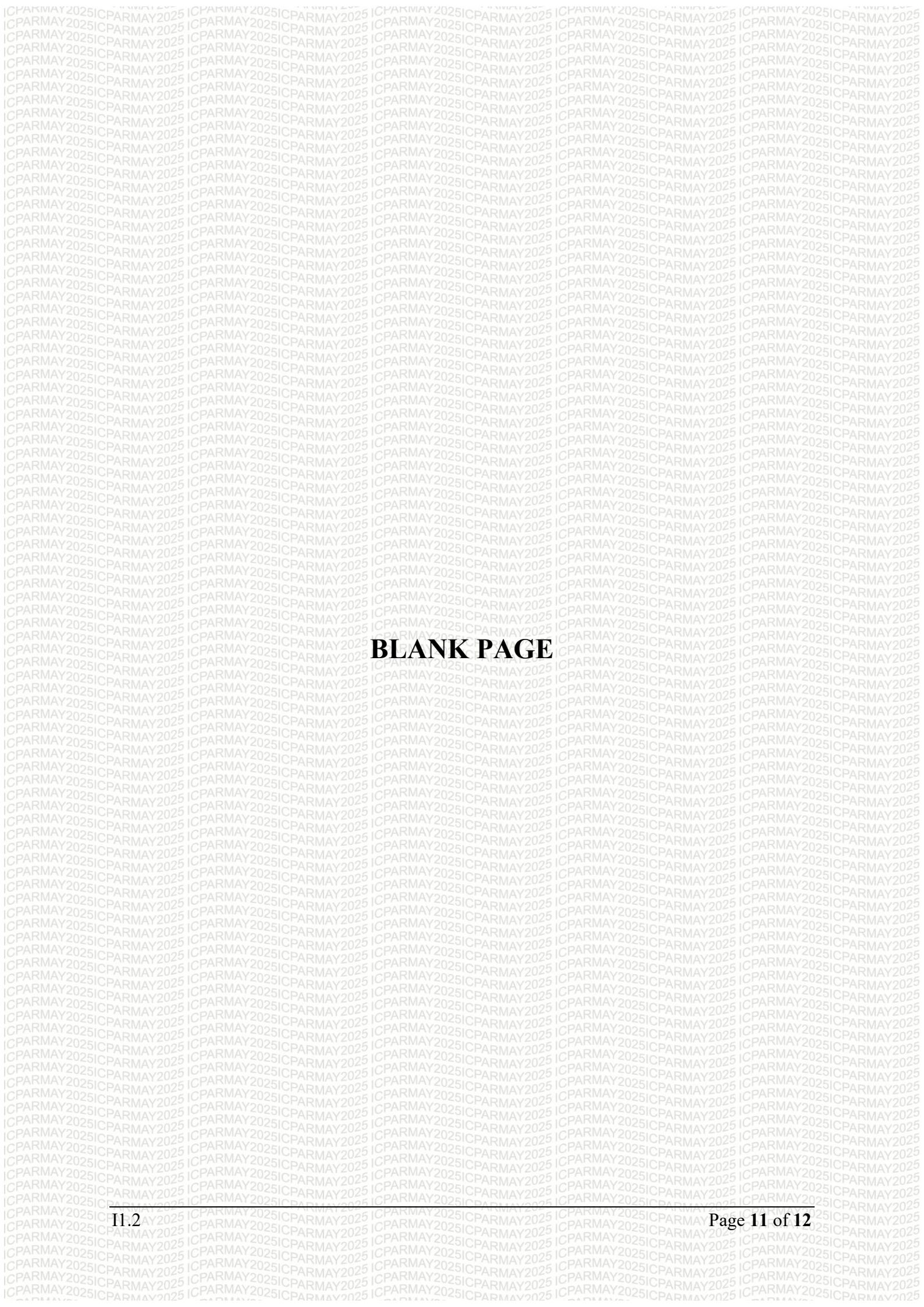
- What amounts will be shown as financial liability and as equity when the convertible bonds are issued on 1 January 2023?** (5 Marks)
  - Show how the bonds will be accounted for from year 1 to 3.** (8 Marks)
- (Total: 20 Marks)**

**End of Question paper**



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