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## **CERTIFIED ACCOUNTING TECHNICIAN**

### **STAGE 3 EXAMINATIONS**

#### **S3.1: FINANCIAL ACCOUNTING**

**DATE: MONDAY 26, MAY 2025**

#### **INSTRUCTIONS:**

1. Time allowed **3 hours**.
2. This examination has three sections: **A, B, and C**.
3. Section **A** has **10 multiple-choice questions** equal to **2 marks** each.
4. Section **B** has **2 questions** equal to **10 marks** each.
5. Section **C** has **3 questions** equal to **20 marks** each.
6. All **questions** are compulsory.
7. The question paper should not be taken out of the examination room.



## **SECTION A**

### **QUESTION ONE**

**Which of the following statements is/are true about the International Financial Reporting Standards (IFRS)?**

- A IFRS are not intended to be applied to immaterial items,
- B IFRS are not intended to be applied retrospectively
- C Each individual standard lays out its scope at the beginning of the standard
- D All the above

**(2 Marks)**

### **QUESTION TWO**

In line with the conceptual framework, incomes are defined as revenues arising in the course of ordinary activities of an entity including increase in assets. **Which of the following items meet(s) the definition of income?**

- (i) Sale of own shares and sale of land
- (ii) Sale of land and sale of goods
- (iii) Sale of own shares and debentures

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

**(2 Marks)**

### **QUESTION THREE**

A private school has ordered some new office furniture on 12 June 2023. The office furniture is delivered and accepted on 23 June 2023. An invoice requesting payment was received by 03 July 2023, as 30 days from the order being placed and the payment was made in cash on 5 July 2023.

According to the accruals concept of accounting, **at which date should the accountant recognize the purchase of furniture in the school's books of accounts?**

- A 12 June 2023
- B 23 June 2023
- C 03 July 2023
- D 05 July 2023

**(2 Marks)**

## QUESTION FOUR

The following material events took place after the reporting date of 31 December 2022 and before the financial statements for MINALOSA Ltd are approved.

- (i) KAGABO, a major customer of MINALOSA Ltd, went into liquidation. MINALOSA Ltd has been advised that it is highly unlikely to receive any of the outstanding debt of FRW150 million owed by KAGABO at the year end.
- (ii) A fire broke out in the warehouse of MINALOSA Ltd on 2<sup>nd</sup> January 2023, resulting in the destruction of inventory valued at FRW 75 million.

**What is the effect on profit for the year in the financial statements at 31 December 2022 after making the required adjustments?**

- A FRW 150 million- Decrease
- B FRW 75 million- Decrease
- C FRW 225 million- Decrease
- D No effect on the profit for the year

**(2 Marks)**

## QUESTION FIVE

The financial statements are normally prepared on the assumption that an entity will continue in operation for the foreseeable future. Hence, it is assumed that the entity has neither the intention nor the need to enter into liquidation or to cease trading. **This is referred to as:**

- A Accrual concept
- B Business entity concept
- C Money measurement concept
- D None of the above

**(2 Marks)**

## QUESTION SIX

**Which of the following statements is/are true about the accounting systems?**

- A Accounting systems help in recording, classifying, and summarizing financial transactions for decision-making purposes.
- B A computerized accounting system eliminates the need for internal controls.
- C Manual accounting systems are more efficient and less prone to errors than computerized systems.
- D Accounting systems are only used for preparing tax returns and are not useful for internal decision-making.

**(2 Marks)**



## QUESTION SEVEN

You are provided with the following information for the year ending 30 June 2023:

Items	FRW "000"
Revenue	79,300
Accounts receivables	30,000
Cost of sales	54,000
Other incomes	24,310
Other expenses	12,000

**What is the Gross Profit for the year ending 30 June 2023?**

- A FRW 67,610
- B FRW 25,300
- C FRW 37,610
- D None of the above

**(2 Marks)**

## QUESTION EIGHT

On 01 January 2022, Mr. James, the Lawyer of MBTC Ltd informed the management that the company is likely to pay FRW 10,000,000 damages for the product that was distributed to their customers and failed to work as expected. MBTC Ltd duly set up a provision as at 31 December 2022. However, the following year (ending 31 December 2023), the lawyer found that the damages were more likely to be FRW 50,000,000.

**What amount of expense (Provision for damages) will be recorded in the financial statement of MBTC Ltd for the year ending 31 December 2023?**

- A FRW 10,000,000
- B FRW 50,000,000
- C FRW 40,000,000
- D FRW 60,000,000

**(2 Marks)**

## QUESTION NINE

On the first year of operations of Kazungu Ltd, the following information appears on their financial statements.

At the beginning inventory was FRW200,000, Cash FRW300,000, Bank FRW50,000, and creditors FRW20,000.

**How much Capital was invested?**

- A FRW530,000
- B FRW350,000
- C FRW550,000
- D FRW570,000

**(2 Marks)**

## QUESTION 10

The Board of Directors of the company are usually those charged with governance of the company. **what is main responsibility of Board of directors?**

- A Hiring the human capital manager, head of operations, chief finance and General manager of the company
- B Prepare annual accounts, have them audited, disclosure them to the shareholders and deliver them to the registrar general
- C Act with loyalty to the company, which includes using company assets for their own benefit, competing against the company and disclosing confidential information about the company.
- D Act in a manner that do not comply with company's incorporation documents and the law governing the companies.

**(2 Marks)**



## **SECTION B**

### **QUESTION 11**

a) Internal controls are procedures that address the risk that aims and objectives of the company will not be met.

**Required:**

**What are the THREE (3) main purposes of internal controls to ensure the compliance with statutory or organisational requirements? (3 Marks)**

b) Control environment includes the governance and management functions and the attitudes, awareness and actions of management concerning internal control and its importance within the organization.

**Required:**

**Indicate the FOUR (4) elements of a good control environment? (4 Marks)**

c) The management of the company have a duty to put in place adequate controls to safeguard the company and its assets.

**Required:**

**State three main types of controls which can help prevent fraud in an organization? (3 Marks)**

**(Total: 10 Marks)**

## QUESTION 12

a) The key to obtaining meaningful information from ratio analysis is comparison. This may involve comparing ratios over time within the same business to establish whether things are improving or declining, and comparing ratios between similar businesses to see whether the company you are analysing is better or worse than average within its specific business sector. However, this comparison has its own limitations to the users.

### Required:

Discuss FIVE limitations of ratio analysis?

(5Marks)

b) The statements of profit or loss for Ngarambe Ltd are given below

	31-Dec-20		31-Dec-21	
	FRW	FRW	FRW	FRW
Revenue		40,000		50,000
Cost of sales		(25,400)		(26,800)
Gross profit		14,600		23,200
Expenses				
Administrative	1,900		6,000	
selling and distribution	3,550		4,590	
Depreciation	2,100		3,100	
loan note interest		(7,550)	1,500	(15,190)
Profit for the year		7,050		8,010

Ngarambe ltd issued loan notes during the year to fund the expansion of business. Non-current assets have increased from FRW 5,000 in 2020 to FRW 6,600 in 2021.

### Required:

Calculate the following ratios for Ngarambe Ltd for both years.

- i) Gross profit percentage (1.5 Marks)
  - ii) Net profit percentage (1.5 Marks)
  - iii) comment on the business expansion using the ratios in i and ii above (2 Marks)
- (Total: 10 Marks)



## SECTION C

### QUESTION 13

You are provided with the following statements of financial position of MEGA Ltd and MINI Ltd as at 31 December 2022:

#### Statements of financial position as at 31 December 2022

Details	MEGA Ltd (FRW “000”)	MINI Ltd (FRW “000”)
Property plant and Equipment	7,600	3,040
Investment in MINI LTD	1,280	-
Current assets	2,280	920
<b>Total Assets</b>	<b>11,160</b>	<b>3,960</b>
<b>Equity and liabilities</b>		
Ordinary share capital (FRW 1)	4,000	1,000
Share Premium	1,000	200
Retained Earnings	3,620	1,630
<b>Total Equity</b>	<b>8,620</b>	<b>2,830</b>
Non-current Liabilities	1,300	500
Current Liabilities	1,240	630
<b>Total Equity and Liabilities</b>	<b>11,160</b>	<b>3,960</b>

#### Additional information:

- On 1 November 2021, MEGA has acquired 600,000 ordinary shares in MINI ltd
- At the date of acquisition, MINI LTD had the total reserves amounting to FRW 1,000,000 (Share premium: FRW 200,000 and Retained earnings: FRW 800,000).
- The goodwill was assessed and found to have an impairment loss of 20% in MINI LTD.
- It is the policy of MEGA LTD to measure non-controlling interest at their proportionate interest in the net assets of MINI LTD at the date of acquisition.

#### Required:

- What is the value of goodwill to be recognized in the Statement of Financial Position of MEGA LTD as at 31 December 2022 (7 Marks)
  - Prepare a consolidated Statement of Financial Position for the year ending 31 December 2022. Show clearly your workings (13 Marks)
- (Total: 20 Marks)**



### QUESTION 14

The following account balances were extracted from the books of XYZ LTD, a company owning a computer store in Musanze center, at the end of her financial year 30 June 2023

Account balances as at 30 June 2020	
	FRW
Sales	608,000
Purchases	314,000
Shop fittings	260,000
Equipment	60,000
Share Capital (1000 shares of FRW290 each)	290,000
Opening Inventory	94,000
Bank	12,200
Cash	1,900
Shop wages	92,000
Commission income	60,000
Accounts receivable	2,300
Loss from the previous period	70,000
Accounts payable	45,500
Returns out	3,500
Light and heat	5,200
Rent expense	85,000
Carriage in	600
Insurance	1,800
Returns in	8,000

The inventory at the end of the year was valued at FRW8,800

**Required:**

**a) Prepare XYZ's Statement of Profit or Loss the year ended 30 June 2022 (10 Marks)**

**b) Prepare XYZ's Statement of Financial Position 30 June 2023 (10 Marks)**

**(Total: 20 Marks)**



### QUESTION 15

The following financial statements relate to Nyagatare limited, a company that operates across Rwanda with headquarters in Kigali.

#### Statement of financial position as at 31<sup>st</sup> December 2023:

	2023 FRW, “000”	2022 FRW, “000”
<b>Non-current Assets</b>		
Property, plant and equipment	93,000	61,000
<b>Current assets</b>		
Inventories	33,000	21,000
Trade receivables	21,000	28,000
Cash and cash equivalents	9,000	13,000
<b>Total assets</b>	<b>156,000</b>	<b>123,000</b>
<b>Equity and liabilities</b>		
Share capital	31,000	4,000
Retained earnings	61,000	36,000
<b>Total Equity</b>	<b>92,000</b>	<b>40,000</b>
<b>Non-current liabilities</b>		
Loans	11,000	30,000
Deferred tax	16,000	15,000
<b>Current liabilities</b>		
Trade payables	24,000	26,000
Tax payable	13,000	12,000
<b>Total equity and liabilities</b>	<b>156,000</b>	<b>123,000</b>

#### Statement of profit or loss for year ended 31<sup>st</sup> December 2023

	FRW “000”
Revenue	451,000
Operating expenses	(400,000)
<b>Profit from operations</b>	<b>51,000</b>
Finance cost	(5,000)
<b>Profit before tax</b>	<b>46,000</b>
Tax expense	(14,000)
<b>Profit for the period</b>	<b>32,000</b>

#### Additional Information:

1. The property, plant and equipment with a carrying amount of FRW10,000,000 was disposed during the year for FRW13,500,000. The depreciation for the year was FRW 16,000,000.
2. The trade payables as at 31<sup>st</sup> December 2023 and 2022 are inclusive of FRW 5,000,000 and FRW 6,000,000 interest payables respectively.

#### Required:

With the use of information provided above, Prepare the statement of cash flow for Nyagatare Limited for the year ended 31<sup>st</sup> December 2023.

Note: All relevant workings must be shown.

(Total: 20 Marks)

**End of Question Paper**



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