CERTIFIED ACCOUNTING TECHNICIAN

STAGE 3 EXAMINATIONS

S3.1: FINANCIAL ACCOUNTING

DATE: MONDAY 24 AUGUST 2026

MARKING GUIDE AND MODEL ANSWERS

SECTION A:

Marking guide

Question	Answer	Marks allocation
1	B	2 Marks
2	D	2 Marks
3	C	2 Marks
4	A	2 Marks
5	D	2 Marks
6	A	2 Marks
7	B	2 Marks
8	A	2 Marks
9	C	2 Marks
10	C	2 Marks
Total marks for this section		**20 Marks**

Model Answer

QUESTION ONE

The correct answer is B. Whether the accounts cover a single entity or a group of entities, the reporting currency used in presenting the figures in the financial statements

QUESTION TWO

The correct answer is D. Gearing ratio and Debt ratio others are incorrect

QUESTION THREE

The correct answer is C.

Step 1: Add the revenues of the parent and subsidiary

- Cloud Company revenue = **FRW 505 million**
- Anvil Company revenue = **FRW 444 million**

Total revenue before consolidation**: 505+444=949**

Step 2: Eliminate intra-group sales

Cloud sold goods to Anvil for **FRW 12 million**.

=FRW 949-12=937 million

QUESTION FOUR

The correct answer is A. Directors are accountable to the shareholders for the stewardship and management of the company

QUESTION FIVE

The correct answer is D.

International Accounting Standards Board.

QUESTION SIX

The correct answer is A, A parent entity is an entity that controls one or more subsidiaries**.** Under IFRS 10 Consolidated Financial Statements, control exists when the investor has power over the investee**,** exposure to variable returns**,** and the ability to use its power to affect those returns. Since all three conditions are met, the entity is classified as a parent entity and must prepare consolidated financial statements Hence B,C and D are all Incorrect

QUESTION SEVEN

The correct Answer is B

Current assets / Current liabilities. Correct: measures whether a company has enough short-term assets to cover its short-term obligations. Other Formulas are incorrect

QUESTION EIGHT

The correct Answer is A

Depreciable amount = (34 – 4) = FRW 30m; annual charge = 30 ÷ 5 = FRW 6m.by prorate 6 × 9/12=4.5 residual deducted, pro-rated for 9 months owned. **B (6.0m) Incorrect:** full-year charge,ignores that only 9 months were owned. **C (5.1m) Incorrect:** forgets to deduct the FRW 4m residual value. **D (1.5m) Incorrect:** uses only 3 months instead of the correct 9.

QUESTION NINE

. The correct answer is C

The four exemption conditions concern ownership/no objection, no public trading, not filing with a regulator, and a higher parent producing IFRS consolidated statements (options A, B and D). Dissimilar activities is **not** a condition - in fact the old IAS 27 exclusion for dissimilar activities was deliberately removed, and such subsidiaries **must** be consolidated

QUESTION 10

The Correct Answer is C, two types of computer control.

General IT controls apply across the whole IT environment (e.g. access security, change management).**Application controls** built into specific applications to ensure transactions are complete, accurate, and valid other are incorrect

SECTION B:

QUESTION 11

Marking guide

	Description	Marks
a	Meets the definition of a provision under IAS 37 present obligation from a past event, probable transfer of economic benefit, and a reliable estimate can be made	**1**
	Recognise the provision as a liability and charge a corresponding expense of FRW 100m to profit or loss for the current year (Dr Expense / Cr Provision)	**1**
	Liability classified as current or non-current depending on expected timing of payment	**1**
b	Without a reliable estimate, the criteria for a provision under IAS 37 are not met; treat as a contingent liability	**1**
	Not recognized in the financial statements disclosed as a note for the year to 31 December 2024	**1**
c	Fire is a non-adjusting event under IAS 10 the condition (destroyed inventory) did not exist at the reporting date, so no adjustment is made	**1**
	If material, the loss is disclosed as a note to the financial statements (nature of event and estimate of financial effect)	**1**
d	Recoverable amount = higher of fair value less costs of disposal (11 - 1 = FRW 10m) and value in use (FRW 13m) = **FRW 13m**	**1**
	Carrying amount (FRW 18m) exceeds recoverable amount (FRW 13m), so impairment loss = 18 - 13 = **FRW 5m**, charged to profit or loss	**1**
	Journey entry of Impairment loss Dr expense/Cr Asset 5m	**1**
		10

Model Answers

a) This meets the definition of a provision according to IAS 37:

- There is a present obligation

- There is a probable transfer of economic benefit
- A reliable estimate can be made

Garri needs to recognise the provision as a liability, and charge an expense to the current year:

Debit Expenses FRW 100 million
Credit Provision FRW 100 million

The liability can be shown as current or non-current, depending on when Garri expect to make the payment.

b) If no reliable estimate can be made, this does not meet the criteria for a provision that are set out in IAS 37.
The potential payment should be treated as a contingent liability.
This should be disclosed as a note to the financial statements for the year to 31 December 2024.

c) The fire is a non-adjusting event, according to IAS 10, as the condition (ie the destroyed inventory) did not exist at the reporting date.
If the amount of inventory destroyed is material, this should be disclosed as a note to the financial statements.

d) Recoverable amount = higher of fair value less costs of disposal (11 - 1 = FRW 10m) and value in use (FRW 13m) =**FRW 13m**.
An asset is impaired when carrying amount exceeds recoverable amount (IAS 36).
Carrying amount FRW 18m > recoverable amount FRW 13m, so the vehicle is impaired.

Impairment loss = 18 - 13 = FRW 5m**,**

Debit Expenses FRW 5 million
Credit Motovehicle FRW 5 million

QUESTION 12

Marking guide:

a)	0,5 mark for the correct Computation and 0,5 Marks for interpretation each ratio Max 7	7
b)	1.5marks for each correctly explained response, maximum 3marks	3
Total marks		**10**

Model Answer

a) 1.Gross profit margin=Gross profit ÷ Sales × 100
443 / 856 * 100 = 52%

This shows that for every FRW 100 of sales, the company retains about FRW 51.75 after covering the direct cost of goods sold. This is a healthy margin, indicating good control over production/purchase costs and reasonable pricing power.

2. Net profit margin= PBIT ÷ Sales × 100
   275 / 856 * 100 = 32%

After deducting operating expenses, roughly FRW 32.13 of every FRW 100 of sales remains as operating profit. The gap between the gross margin (51.75%) and net margin (32.13%) reflects expenses absorbing about 19.6% of sales, which appears well managed.

3. Asset turnover= Sales ÷ Capital employed
   856 / 400 = 2.1 times

The company generates FRW 2.14 of sales for every FRW 1 of capital employed. This indicates efficient use of long-term resources to drive revenue. (Note: combining this with net margin gives ROCE = 32.13% × 2.14 ≈ 68.75%, or directly 275 ÷ 400 = 68.75%.)

4. **Quick (acid-test) ratio** = (Current assets - Inventory) ÷ Current liabilities
   =(42 + 29) / 31 = 2.3:1

Even excluding the least liquid asset (inventory), the company can cover its current liabilities more than twice over. Liquidity is very strong and there is no immediate solvency concern.

5. Receivables collection period= Receivables ÷ Sales × 365
   (42 / 856) * 365 = 18 days

On average, customers settle their accounts within about 18 days. This is a short, efficient collection cycle, suggesting effective credit control and good cash inflow (or that a large portion of sales are for cash).

6. Payables payment period= Payables ÷ Cost of sales × 365

   (31 / 413) * 365 = 27 days

The company pays its suppliers in roughly 27 days on average

Inventory holding period =Inventory/cost of sales *365days

65 ÷ 413 × 365 =57days

Inventory is held on average about 57 days before being sold. This is the longest element of the working-capital cycle and may be worth reviewing.

b) **1) Receivables collection period**

A company generally prefers a **short** receivables collection period.

Collecting from customers quickly means cash returns to the business sooner, improving liquidity and providing funds to pay suppliers, meet expenses, or invest. A short period also reduces the risk of bad debts (the longer money is owed, the greater the chance a customer defaults) and lowers the financing cost of effectively lending to customers on credit.

However, the period should not be *too* short. Offering generous credit terms can be an important competitive tool for attracting and retaining customers. If a company forces payment too aggressively - through very tight terms or heavy pressure - it may lose sales to competitors offering easier terms. So the aim is a period short enough to protect cash flow and limit bad debts, but not so short that it damages customer relationships and revenue.

2) Payables payment period

A company generally prefers a **long** payables payment period.

Delaying payment to suppliers means the company holds onto its cash longer, effectively using suppliers as a source of free, interest-free short-term finance. This eases liquidity and can reduce the need for overdrafts or other borrowing to fund working capital.

Again, there is a limit. Paying too slowly can damage supplier relationships and the company's reputation as a customer. Suppliers may respond by withdrawing credit facilities, demanding cash on delivery, charging higher prices, prioritising other customers, or imposing late-payment penalties. Stretching payments too far can also mean forgoing early-settlement (prompt-payment) discounts. The company therefore wants a period long enough to maximise the cash-flow benefit, but not so long that it harms supply relationships or forfeits worthwhile discounts.

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SECTION C:

QUESTION 13

Marking Gude:

Details	Marks
Presentation of statement Naming all items based IFRS Requirement (PL)	1
Cost of sales (W1)	1.5
Administration costs (W1)	1.5
Finance costs	1
Tax expense	1
Non-current assets	
Property, plant and equipment (W2) 92,850	2
Intangible assets (720 - 220)	1
Inventories	0.5
Trade receivables (12,060 – 2,000)	1
Bank 3,210	0.5
Share capital (6,000 + 54,000) 60,000	0.5
Share premium account 6,600	0.5
General reserve 6,000	0.5
Retained earnings (W3) 32,430	2
10% Debentures 10,800	0.5
Trade payables 7,440	0.5
Tax payable 1,920	1
Accruals (W4)	2
Note: Final dividend of FRW 100 million is proposed Must be disclosed in note	0.5
Presentation of statement Naming all items based IFRS Requirement (SOPF)	1
TOTAL	**20**

Model Answer:

Aldo Company statement of profit or loss for the year ended 31 December 2021

Details	FRW million
Revenue	69,180
Cost of sales (W1)	-24,564
Gross profit	44,616

Distribution costs	-1,500
Administration costs (W1)	-13,110
Profit from operating activities	30,006
Finance costs (10,800 x 10%)	-1,080
Profit before tax	28,926
Tax expense (450 + 1,920)	-2,370
Profit after tax	26,556

Aldo Company statement of financial Position as at year ended 31 December 2021

Non-current assets	FRW Million	FRW Million
Property, plant and equipment (W2)	92,850	
Intangible assets (720 - 220)	500	
Total NCA		93,350
Current assets		
Inventories	19,410	
Trade receivables (12,060 – 2,000)	10,060	
Bank	3,210	
Total current assets		32,680
Total assets		126,030
Equity and liabilities		
Share capital (6,000 + 54,000)	60,000	
Share premium account	6,600	
General reserve	6,000	
Retained earnings (W3)	32,430	
Total equity		105,030
10% Debentures	10,800	
Total non-current liabilities		10,800
Current liabilities		
Trade payables	7,440	
Tax payable	1,920	
Accruals (W4)	840	
Total current liabilities		10,200
Total equity and liabilities		126,030

Working 1 (W1)

	Cost of sales	Distribution	Administration
Opening inventory	6,894		
Purchases	37,080		
Closing inventory	-19,410		
Administration costs			3,240
Distribution costs		1,500	
Research costs			220
Bad debt			2,000

Depreciation – buildings			6,420
Depreciation – equipment			1,230
Total	24,564	1,500	13,110

W2			
	Buildings	72,000 – (2,700 + 6,420)	62,880
	Equipment	33,000 – (1,800 + 1,230)	29,970
	Non-current assets		92,850

W3			
	Retained earnings b/f		7,374
	Profit for the year		26,556
	Dividends (900 + 600)		-1,500
	Retained earnings c/f		32,430

W4			
	Debenture interest payable (10,800 * 10%)	1,080	
	Debenture interest paid	-540	
	Accrued interest		540
	Preference dividends payable (6,000 * 10%)	600	
	Preference dividends paid	-300	
	Accrued dividend		300
	Total accruals		840

QUESTION 14

Marking guide

Details	Marks
a) Preparation of consolidated of financial statement	
Consolidation of non-current asset	1
Goodwill computation (W1)	
Indicate the cost of investment	0,5
Indicate the component of net asset 0.5 each max 1mark	1
Prorate of goodwill	1
Goodwill answer	0,5
Current assets (W2)	
Consolidation current asset	1
Adjustment of UP	1
Intergroup receivable	1

Retained earnings (W3)	
Genesis	0,5
Exodus	0,5
Less retained earnings at acquisition	1
Less unrealised profit UP	1
Post-acquisition profit @ parent share	0,5
Consolidated RE(SOFP)	0,5
Non-Controlling Interest (NCI) (W4)	
Exodus Share capital	0,5
Exodus retained earnings	0,5
Less unrealised profit	0,5
Post-acquisition profit @ NCI	1
Current liabilities (W5)	
Exodus	0,5
Exodus	0,5
Intra-group payable	0,5
b) i) 1.5 Marks each correct explained method max 3	3
ii) 2 marks on correct explained how to record Negative goodwill	2
TOTAL	**20**

Model Answers

a) Consolidated statement of financial position for Genesis as at 31 December 2018

	FRW million
Non-current assets (2,400 + 1,728)	4,128
Goodwill (W1)	534
Current assets (W2)	1,019
Total assets	**5,681**
Share capital	1,440
Retained earnings (W3)	3,072
Non-controlling interest (W4)	478
Current liabilities (W5)	691
Total equity and liabilities	**5,681**

Workings

W1 Goodwill			
	Investment in Exodus		1,344
	Share of net assets:	480	

		600	
		1,080	
	75% * 1,080		-810
	Goodwill		534
W2 Current assets			-
	Genesis		576
	Unrealised profit in inventory		-8
			568
	Exodus	456	-
	Intra-group receivable	-5	-
			451
	Total		1,019

W3 Retained earnings			
	Genesis		2,448
	Exodus	1,440	
	Less unrealised profit (20 – 12)	-8	
	Less retained earnings at acquisition	-600	
	Post-acquisition profit	832	
	75% * 832		624
			3,072

W4 NCI			
	Exodus Share capital		480
	Exodus retained earnings	1,440	
	Less unrealised profit (20 – 12)	-8	
			1,432
			1,912
	1,912 * 25% =		**478**

W5 Current liabilities			
	Genesis		432
	Exodus	264	
	Intra-group payable	-5	
			259
	Total		691

b) **i) General principle** Goodwill is the excess of the consideration transferred *plus* the value attributed to the NCI *plus* (in a step acquisition) the fair value of any previously held interest, **over** the fair value of the identifiable net assets acquired. The two methods differ **only in how the NCI is valued**, which in turn changes the goodwill figure.

Method 1 Fair value method / "full goodwill**.** The NCI is measured at its **fair value** at the acquisition date (often using the share price of the acquiree). This includes the NCI's share of

goodwill, so the goodwill recognised is "full" goodwill attributable to *both* the parent and the NCI. It produces a higher goodwill and a higher NCI figure.

Method 2 Proportionate share method / "partial goodwill" The NCI is measured at its **proportionate share of the fair value of the acquiree's identifiable net assets** (i.e. 25% of net assets for Sabyinyo). This excludes any goodwill attributable to the NCI, so **only the parent's share of goodwill** is recognised. It produces a **lower** goodwill and a **lower** NCI figure.

ii) A negative result means the consideration transferred (plus NCI and any previously held interest) is *less than* the fair value of the identifiable net assets acquired. This is a *bargain purchase* the buyer has effectively acquired net assets for less than their fair value.

Treatment under IFRS 3. The acquirer must **first reassess** whether all assets and liabilities have been correctly identified and fairly valued, and whether the consideration and NCI have been correctly measured. If a genuine excess remains after this reassessment, it is recognised **immediately as a gain in profit or loss** at the acquisition date, attributable to the acquirer. It is **not** carried in the statement of financial position as an asset or a deferred credit, and it is **not** released to profit over future periods.

QUESTION 15

Marking guide

Profit before tax	0.5
Depreciation - PPE	0.5
Depreciation - right-of-use assets	0.5
Amortisation of development costs	0.5
Impairment of intangibles	0.5
Finance costs added back	0.5
Finance income deducted	0.5
Profit on disposal deducted (W2 - derive 170 - 120)	1
Decrease in inventories	1
Decrease in receivables	1
Increase in payables	1
Interest paid (loan + lease split)	1
Tax paid (W1 - current vs deferred)	2
Cash flows from investing activities	
Purchase of PPE (cash)	1
Development costs capitalised	1
Proceeds on disposal of PPE	1
Interest received	1
Cash flows from financing activities	
Issue of ordinary shares	1
Repayment of loan notes	0.5
Repayment of lease principal (W3 - derived)	1.5
Dividends paid (W4 - derived from retained earnings)	1.5
Net movement + opening + closing cash reconciled	1
Total	**20**

Model Answers

Holiday Statement of cash flows year ended 31 December 2025 (indirect method)

Particulars	FRW Million	FRW Million
Cash flows from operating activities		
Profit before tax		406
Adjustments for:		
Depreciation PPE	260	
Depreciation right-of-use assets	70	
Amortisation of development costs	30	
Impairment of intangibles	20	
Finance costs	64	
Finance income	(20)	
Profit on disposal of PPE (W2)	(50)	374
Operating cash flows before working capital		780
Decrease in inventories (564 - 520)	44	
Decrease in trade receivables (630 - 480)	150	
Increase in trade payables (430 - 392)	38	232
Cash generated from operations		1,012
Interest paid (loan 40 + lease 24)	(64)	
Tax paid (W1)	(103)	(167)
Net cash from operating activities		845
Cash flows from investing activities		
Purchase of PPE (cash)	(400)	
Development costs capitalised	(90)	
Proceeds on disposal of PPE	170	
Interest received	20	
Net cash used in investing activities		(300)
Cash flows from financing activities		
Issue of ordinary shares	160	
Repayment of loan notes	(50)	
Repayment of lease liabilities - principal (W3)	(120)	
Dividends paid (W4)	(50)	
Net cash used in financing activities		(60)
Net increase in cash and cash equivalents		485
Cash and cash equivalents at 1 January 2025		50
Cash and cash equivalents at 31 December 2025		535

Workings

Workings	FRW Million
W1 Tax paid	
Current tax b/f	53

Current tax charge (150 total - 30 deferred)	120
Current tax c/f	(70)
Tax paid	103

W2 Profit on disposal of PPE

Carrying amount (cost 300 - accumulated depreciation 180)	120
Proceeds	170
Profit on disposal	50

W3 Lease principal repaid	
Total lease cash paid	144
Less interest element	(24)
Principal repaid (financing)	120

W4 Dividends paid	
Retained earnings b/f	909
Profit for the year	256
Retained earnings c/f	(1,115)
Dividends paid	50

END OF MARKING GUIDE AND MODEL ANSWERS