

CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS
S3.1: FINANCIAL ACCOUNTING
DATE: MONDAY 24, AUGUST 2026

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

IAS 1 Presentation of Financial Statements requires certain information to be presented in a prominent position.

Which TWO of the following items are required by IAS 1 to be presented in a prominent position?

1. The names of all directors of the company
2. Whether the accounts cover a single entity or a group of entities
3. The reporting currency used in presenting the figures in the financial statements
4. Estimated income in the next financial year
5. Information on new products under development

A 1 and 3
B 2 and 3
C 1 and 4
D 2 and 5

(2 Marks)

QUESTION TWO

Which TWO of the following would be directly relevant to assessing the long-term solvency of a company?

i) Payables payment period
ii) Gearing ratio
iii) Return on capital employed
iv) Current ratio
v) Debt ratio

A (iii) and (v)
B (iv) and (v)
C (i) and (v)
D (ii) and (v)

(2 Marks)

QUESTION THREE

Cloud Company owns 70% of the shares in Anvil Company.

During 2022, Cloud reported revenue of FRW 505 million, and Anvil reported revenue of FRW 444 million.

During the year, Cloud sold goods to Anvil for FRW 12 million. Cloud had bought the goods at a cost of FRW 6 million. All the goods were still in Anvil's inventory at the end of 2022.

What is the amount of revenue to be reported in the consolidated statement of profit or loss for Cloud Company for the year to 31 December 2022?

A FRW 949 million
B FRW 943 million
C FRW 937 million
D FRW 931 million

(2 Marks)

QUESTION FOUR

Skyline Holdings Ltd is a public limited company. At the annual general meeting (AGM), shareholders elected the board of directors. The directors subsequently appointed the Chief Executive Officer (CEO) and approved the appointment of the external auditors, whose remuneration was later authorized by the shareholders. During the year, employees were recruited by management under authority delegated by the board. Based on the principles of corporate governance and company law, **which ONE of the following statements is correct**?

A Directors are accountable to the shareholders for the stewardship and management of the company.
B External auditors act as agents of the shareholders and are responsible for preparing the company's financial statements.
C Shareholders are accountable to the directors for the operational performance of the company and for appointing employees.
D Employees are appointed directly by the shareholders because they are the owners of the company.

(2 Marks)

QUESTION FIVE

Which one of the following is an independent, privately funded body that develops and approves International Financial Reporting Standards (IFRS)?

A International Financial Reporting Standards Board
B IFRS Committee
C IFRS Advisory Council
D International Accounting Standards Board

(2 Marks)

QUESTION SIX

Under the principles of consolidated financial statements, **Which of the following best defines an entity that exercises control over one or more reporting entities by virtue of its power, exposure to variable returns, and ability to affect those returns?**

A Parent
B Associate

C Subsidiary
D Non-controlling interest

(2 Marks)

QUESTION SEVEN

Which of the following formulas is used to calculate a company's current ratio?

A Current ratio = Current assets / Total liabilities
B Current ratio = Current assets / Current liabilities
C Current ratio = (Current assets – Inventory) / Current liabilities
D Current ratio = Current liabilities/ Current Assets

(2 Marks)

QUESTION EIGHT

Cheil Co acquired a vehicle for FRW 34 million on 1 April 2025. The vehicle has an estimated useful life of 5 years and a residual value of FRW 4 million. Cheil Co depreciates vehicles on a straight-line basis, charging depreciation on a monthly basis in the year of acquisition.

What is the depreciation charge for the year ended 31 December 2025?

A FRW 4.5 million
B FRW 6 million
C FRW 5.1 million
D FRW 1.5 million

(2 Marks)

QUESTION NINE

Which one of the following is not one of the conditions that must be met for an intermediate parent to be exempt from preparing consolidated financial statements under IFRS 10?

A The parent's debt or equity instruments are not traded in a public market.
B The parent is a wholly-owned or partially-owned subsidiary and its other owners do not object to consolidated statements not being prepared.
C The subsidiary's activities are dissimilar to those of the rest of the group.
D An ultimate or intermediate parent produces IFRS-compliant consolidated statements available for public use.

(2 Marks)

QUESTION 10

Which TWO of the following are types of computer control?

i) Segregation of duties
ii) Internal audit
iii) Application controls

iv) General IT controls
v) Authorization controls

A (i) and (ii)
B (ii) and (iii)
C (iii) and (iv)
D (i) and (v)

(2 Marks)

SECTION B

QUESTION 11

The following information relates to Garri Company:

In October 2024, Garri Company was taken to court by a former employee. Garri's financial advisors have advised that the company are likely to lose the court case. At 31 December 2024, the court case had not been concluded.

On 13 January 2025, a fire destroyed FRW 24 million of inventory.

Garri owns a delivery vehicle that it uses in its distribution business. At 31 December 2024, the vehicle had a carrying amount of FRW 18 million. Owing to an accident during the year, the vehicle was damaged, and management identified this as an indicator of impairment. At 31 December 2024, the following information is available for the vehicle:

- If sold, it could fetch FRW 11 million, but the company would incur FRW 1 million in selling costs.
- If retained and used, it is expected to generate net cash inflows with a present value of FRW 13 million.

Required:

a) Explain how Garri Company should account for the court case in the financial statements for the year to 31 December 2024 if the financial advisors estimate the payment to the employee at FRW 100 million. (3 Marks)

b) Explain how Garri Company should account for the court case in the financial statements for the year to 31 December 2024 if the financial advisors cannot make reliable estimate of the damages to be paid on losing the court case. (2 Marks)

c) Explain how Garri Company should account for the loss of inventory in the fire in the financial statements for the year to 31 December 2024. (2 Marks)

d) Determine the recoverable amount of the vehicle and calculate the impairment loss to be recognised in the financial statements for the year ended 31 December 2024. (3 Marks).

(Total: 10 Marks)

QUESTION 12

The following information has been taken from the financial statements of Konka Company for the year to 31 December 2023:

Particulars	FRW"Million"
Sales income	856
Cost of sales	(413)
Gross profit	443
Expenses	(168)
Profit before interest and tax	275
Inventory 31/12/2023	65
Receivables 31/12/2023	42
Bank and cash 31/12/2023	29
Payables 31/12/2023	31
Capital employed 31/12/2023	400

Required:

a) Calculate and interpret the following ratios for Konka, using the information from the financial statements shown above: Gross profit margin, Net profit margin, Asset turnover, Quick ratio, Receivables collection period, Payables payment period, Inventory holding period. (7 Marks)

b) Discuss whether a company would prefer to have a long or short period for: Receivables collection period and Payables payment period. (3 Marks)

(Total: 10 Marks)

SECTION C

QUESTION 13

The following trial balance has been taken from the accounting records of Aldo Company for the year to 31 December 2021

Details	FRW million	FRW million
10% preference share capital		6,000
Ordinary share capital		54,000
10% Debentures		10,800
Buildings at cost	72,000	
Equipment at cost	33,000	
Accumulated depreciation – buildings		2,700
Accumulated depreciation – equipment		1,800
Inventory	6,894	
Revenue		69,180
Purchases	37,080	
Administration costs	3,240	
Distribution costs	1,500	
Research and development expenditure	720	
Tax on corporate profits	450	
Debenture interest	540	
Receivables	12,060	
Payables		7,440
Bank	3,210	
General reserve		6,000
Share premium account		6,600
Preference dividend paid	300	
Ordinary dividend paid	900	
Retained earnings		7,374
TOTAL	**171,894**	**171,894**

Additional Information;

1. Inventory at 31 December 2021 was FRW 19,410 million

2. Depreciation for the year is to be charged as follows:

Buildings	FRW 6,420 million
Equipment	FRW 1,230 million

Aldo's policy is to include all depreciation costs within Administration costs in the financial statements.

3. An interim ordinary dividend has been paid and is included in the trial balance. A final ordinary dividend of FRW 100 million has been proposed, but at 31 December 2021 this had not yet been approved.

4. A bad debt of FRW 2,000 million is to be written off in full.

5. The research and development expenditure includes FRW 500 million on developing new technology that will be used by the company from 2022.

The remaining FRW 220 million was spent on original research, and no practical application has been found for the results of this research.

Aldo treats any expenses that need to be recognised during the year from Research and Development expenditure as an administration cost.

6. The balance shown for tax on corporate profits relates to an under-estimate for last year's liability. This year's tax liability is estimated to be FRW 1,920 million.

Required:

Prepare the statement of profit or loss and the statement of financial position for Aldo Company for the year ended 31 December 2021. (20 Marks)

QUESTION 14

a) Genesis Company acquired 75% of the share capital in Exodus Company on 30 November 2006. At that date, Exodus' retained earnings were Rwf 600 million.The following are the statements of financial position at 31 December 2018:

Details	Genesis "FRW million"	Exodus "FRW million"
Non-current assets		
Property, plant and equipment	2,400	1,728
Investment in Exodus	1,344	
Current assets	576	456
Total assets	4,320	2,184
Share capital	1,440	480
Retained earnings	2,448	1,440

Details	Genesis "FRW million"	Exodus "FRW million"
Current liabilities	432	264
Total equity and liabilities	4,320	2,184

Additional Information:

1. On 31 December 2018, Genesis owed Exodus FRW 5 million
2. During December 2018, Exodus sold goods to Genesis for FRW 20 million. The goods had cost Exodus FRW 12 million, and all the goods were still held in inventory by Genesis on 31 December 2018.

Required:

Prepare the consolidated statement of financial position for Genesis Company as at 31 December 2018. (15 Marks)

b) Muhabura Holdings Ltd acquired 75% of the ordinary shares of Sabyinyo Ltd on 1 January 2025, obtaining control. In preparing the consolidated financial statements, the assistant accountant is confused on two matters:

- First, she has read that goodwill can be measured using two different methods relating to how the non-controlling interest (NCI) is valued, and she does not understand how the two methods differ or how each affects the goodwill figure.
- Second, in a separate acquisition made later in the year, the group's calculation produced a negative goodwill figure, and she is unsure what this means and how it should be dealt with.

Required

i) Explain the two methods permitted under IFRS 3 for measuring the non-controlling interest and describe how each affects the measurement of goodwill on the acquisition of Sabyinyo Ltd. (3 Marks)

ii) Explain what a negative goodwill result indicates and describe the treatment required by IFRS 3 when consideration is less than the fair value of the identifiable net assets acquired. (2 Marks)

(Total: 20 Marks)

QUESTION 15

The following financial statements and notes relate to Holidays Company for the year ended 31 December 2025. All figures are in FRW million unless stated otherwise.

Statement of financial position as at 31 December

Details	2025 FRW Million	2024 FRW Million
Non-current assets		
Property, plant and equipment	2,570	2,400
Right-of-use assets	330	180
Intangible assets -development costs	160	120
	3,060	2,700

Current assets		
Inventories	520	564
Trade receivables	480	630
Cash and cash equivalents	535	50
	1,535	1,244
Total assets	**4,595**	**3,944**
Equity		
Ordinary share capital	1,640	1,500
Share premium	220	200
Revaluation surplus	250	100
Retained earnings	1,115	909
	3,225	2,709
Non-current liabilities		
Loan notes	450	500
Lease liabilities	200	120
Deferred tax	120	90
	770	710
Current liabilities		
Trade payables	430	392
Current tax payable	70	53
Lease liabilities	100	80
	600	525
Total equity and liabilities	**4,595**	**3,944**

Statement of profit or loss and OCI For the year ended 31 December 2025

Particulars	**FRW million**
Revenue	3,500
Cost of sales	(2,100)
Gross profit	1,400
Other income profit on disposal of PPE	50
Distribution costs	(250)
Administrative expenses	(750)
Operating profit	450
Finance income	20
Finance costs	(64)
Profit before tax	406
Income tax expense	(150)
Profit for the year	256
Other comprehensive income:	
Gain on revaluation of property	150
Total comprehensive income for the year	406

Additional Information:

1. On 1 January 2025 property, plant and equipment had a net carrying amount of FRW 2,400m. During the year the land and buildings were revalued for the first time, giving rise to a gain of FRW 150m recognised in other comprehensive income. Items of PPE were purchased for FRW 400m, all in cash. An item of plant that had cost FRW 300m, with accumulated depreciation of FRW 180m at the date of disposal, was sold for FRW 170m in cash. The depreciation charge for the year was FRW 260m.
2. On 1 January 2025 the company entered into a new lease, recognising a right-of-use asset and a lease liability of FRW 220m (no cash paid on inception). Depreciation on right-of-use assets for the year was FRW 70m. Lease liabilities moved from FRW 200m to FRW 300m; interest of FRW 24m (within finance costs) was charged, and total lease cash paid during the year was FRW 144m. Interest is presented within interest paid (operating) and the capital element within financing activities.
3. Development expenditure of FRW 90m meeting the IAS 38 recognition criteria was capitalised during the year and paid in cash. Amortisation of FRW 30m and an impairment loss of FRW 20m were charged within administrative expenses.
4. The income tax expense of FRW 150m comprises a current tax charge of FRW 120m and a deferred tax charge of FRW 30m. Current tax payable moved from FRW 53m to FRW 70m; the deferred tax liability moved from FRW 90m to FRW 120m.
5. Ordinary shares were issued during the year for cash of FRW 160m (share capital FRW 140m; share premium FRW 20m). Loan notes of FRW 50m were repaid. Dividends were paid during the year; the amount should be derived from the movement in retained earnings.

Required:

Prepare the statement of cash flows for Holidays Company for the year ended 31 December 2025, using the indirect method, in a form suitable for publication under IAS 7. (20 Marks)

End of question paper