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**CERTIFIED PUBLIC ACCOUNTANT**  
**FOUNDATION LEVEL 1 EXAMINATIONS**  
**F1.3: FINANCIAL ACCOUNTING**  
**DATE: TUESDAY 25, NOVEMBER 2025**  
**MODEL ANSWER AND MARKING GUIDE**

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## **SECTION A**

### **QUESTION ONE**

#### **Marking Guide**

**a)**

**i)**

	<b>Marks</b>
Award 0.5 for posting Gross profit	0.5
Award 0.5 for posting Other operating income	0.5
Award 0.5 for posting administrative expenses as per trial balance	0.5
Award 1 for correct calculation of ECL	1
Award 1 for each depreciation calculated	3
Award 0.5 for posting Distribution cost as per TB	0.5
Award 1 for posting consumables invoices	1
Award 1 for posting Other operating expense	0.5
Award 0.5 for posting debenture interest as per TB	0.5
Award 1 for posting correct Bank interest	1
Award 1 for posting income tax expense	1
	<b>10</b>

**ii)**

	<b>Marks</b>
Award 0.5 for each correct line excluding subtotals/total and the lines mentioned below	5
Award 2.5 marks for correct balance of PPE (check workings)	2.5
Award 1.5 marks for correct balance of retained earnings	1.5
Award 1 marks for correct balance of income tax	1
Award 1 marks for correct balance of trade receivables	1
Award 1 marks for correct balance of Revaluation surplus	1
	<b>12</b>

**b) Award 0.5 marks for each transition well treated ( 16 transactions)**

**8 Marks**

**c)**

	<b>Marks</b>
Award 1.5 marks for each entry made with correct explanations (6 entries)	9
Award 1 mark for calculations of adjusted profit	1
	<b>10</b>

#### **Model Answer**

a) **Kigali Plastics Ltd**

i) Statement of Profit or Loss for the year ended 31 October 2023

	<b>FRW (000)</b>
Gross profit	25,000
Other operating income	4,550
<b>Total income</b>	<b>29,550</b>
Administrative expenses: 13,000 + 500 (dep'n) + 1,000 (ECL) =	(14,500)
Distribution costs: 6,000 + 1,600 + 400 =	(8,000)
Other operating expenses: 1,550 + 800 =	(2,350)
<b>Operating profit</b>	<b>4,700</b>
Finance costs: debenture interest 400 + bank interest 120 =	(520)
<b>Profit before tax</b>	<b>4,180</b>
Income tax expense	(3,000)
<b>Profit for the year</b>	<b>1,180</b>

(ii) Statement of Financial Position as at 31 October 2023

	<b>FRW (000)</b>
<b>Non-current assets</b>	
Property, plant & equipment (W1)	37,000
<b>Current assets</b>	
Inventory	6,000
Trade receivables (20,000 – allowance 1,000)	19,000
Bank	4,100
<b>Total current assets</b>	<b>29,100</b>
<b>Total assets</b>	<b>66,100</b>
<b>Equity</b>	
Ordinary share capital	10,000
10% preference share capital	9,000
Share premium	4,000
Capital redemption reserve	6,000
Revaluation surplus (buildings)	4,500
Retained earnings: 3,000 + 1,180 – 2,000	2,180
<b>Total equity</b>	<b>35,680</b>

<b>Non-current liabilities</b>	
5% debentures	8,000
<b>Current liabilities</b>	
Trade payables	19,000
Accrued spares	800
Accrued bank interest	120
Income tax payable (3,000 – 500)	2,500
<b>Total current liabilities</b>	<b>22,420</b>
<b>Total equity and liabilities</b>	<b>66,100</b>

### Working 1: PPE

	Land	Buildings	Plant and machinery	Motor vehicle	Totals
NBV at 1/11	20,000	5,000	8,000	2,000	35,000
Additional	-	-	-	-	-
Disposal	-	-	-	-	-
Depreciation Rate	0%	10%	20%	20%	
Depreciation for the year	0	500	1,600	400	2,500
<b>NBV at 30/10</b>	<b>20,000</b>	<b>4,500</b>	<b>6,400</b>	<b>1,600</b>	<b>32,500</b>
Revaluation	-	4,500	-	-	-
<b>Revalued at 30/10</b>	<b>20,000</b>	<b>9,000</b>	<b>6,400</b>	<b>1,600</b>	<b>37,000</b>

### Working 2: Expected credit losses

$5\% \times 20,000 = 1,000$  (admin) and allowance against receivables

### Working 3: Tax

Current-year tax charge **3,000**;

Opening tax balance is a **debit** 500 (prepayment).

Closing tax payable =  $3,000 - 500 = 2,500$ .

### b) Sales Journal, the Purchases Journal and the Cash Book

#### Sales Journal — July 2023

Date	Customer	Ref	Amount
04-Jul	Pierre	SL/Pierre	1,050,000
11-Jul	Vincent	SL/Vincent	950,000

18-Jul	Josiane	SL/Josiane	400,000
		<b>Monthly total</b>	<b>2,400,000</b>

### Purchases Journal — July 2023

Date	Supplier	Ref	Amount
02-Jul	Kasinza	PL/Kasinza	1,000,000
09-Jul	Aline	PL/Aline	500,000
17-Jul	Daniella	PL/Daniella	980,000
		<b>Monthly total</b>	<b>2,480,000</b>

*Shop fittings & fixtures FRW 1,200,000 on 01-Jul from Mugambo Fitments Ltd is a capital item, so it is not included in the Purchases Journal*

### Cash Book (Bank column only) — July 2023

Date	Particulars	Ref	Bank Dr (Receipts)	Bank Cr (Payments)
13-Jul	Cash sales banked	CB/CS	350,000	
16-Jul	Pierre (receipt)	CB/Pierre	1,050,000	
24-Jul	Vincent (on account)	CB/Vincent	250,000	
19-Jul	Kasinza (settlement)	CB/Kasinza		1,000,000
21-Jul	Delivery expenses	CB/Exp		55,000
30-Jul	Assistant's wages	CB/Wages		380,000
31-Jul	Aline (settlement)	CB/Aline		500,000
31-Jul	Bank charges	CB/Chgs		12,000
31-Jul	<b>Balance c/d</b>		<b>297,000</b>	
	<b>Totals</b>		<b>1,947,000</b>	<b>1,947,000</b>
01-Aug	<b>Balance b/d (overdraft)</b>			<b>297,000</b>

### c) Correcting journal entries (with narratives)

- Dr Sales returns 500,000  
 Cr Trade receivables 500,000  
*To record undercast return inwards (5 Oct) and reduce debtors and sales by 500,000*
- Dr Kamana 300,000  
 Cr Kamanzi 300,000  
*To correct misposting of receipt to wrong customer (8 Oct); no P&L effect.*

- 3 Dr PPE – Coffee machine 1,000,000  
Cr Wages expense 1,000,000  
*To capitalize installation wages per IAS 16 (11 Oct) and increased the profit by 1,000,000*
  
- 4 Dr Purchases 900,000  
Cr Trade payables 900,000  
*To correct understatement of purchases by FRW 900,000 (14 Oct).decreased profit by 900,000*
  
- 5 Dr PPE – Furniture 3,000,000  
Cr Purchases 3,000,000  
*To reclassify furniture from expense to PPE (18 Oct). and increased the profit by 3,000,000*
  
- 6 Dr Drawings (Owner's a/c) 1,000,000  
Cr Purchases 1,000,000  
*To reclassify proprietor's withdrawals from purchases to drawings (25 Oct). increased the profit by 1000,000*

**Net change in profit = 1000,000 + 3,000,000 - 900,000 + 1,000,000 - 500,000 = 3600000**

#### **Corrected profit**

Draft profit .....	13,680,000
Net increase from corrections .....	<b>+3,600,000</b>
<b>Corrected profit for the year .....</b>	<b>17,280,000</b>

## **SECTION B**

### **QUESTION TWO**

#### **Marking Guide**

**a)**

	<b>Marks</b>
Award 2 marks for well explanations of term bank reconciliation	2
Award 1 mark for each well stated reason for preparing bank reconciliation	2
	<b>4</b>

**b)**

**i)**

	<b>Marks</b>
Award 0.5 marks for each correct update made except otherwise mentioned (0.5*12)	6
Award 1 mark for each posting Dishonoured cheque (31 Oct)	1
Award 1 mark for correct calculated Balance c/d	1
	<b>8</b>

**ii)**

	<b>Marks</b>
Award 1 mark for Start with correct Adjusted cash book balance (overdraft)	1
Award 1 mark for posting Cheques banked 29 Oct, credited 5 Nov	1
Award 2 mark for correct Deposits 30 Oct credited 2 Nov (512,600 – dishonored 112,600)	2
Award 2 mark for correct Effective unrepresented cheques	2
Award 1 mark for balance as per bank statement, 31 Oct 2022 (overdraft)	1
Award 1 mark for overall presentation bank reconciliation statement	1
	<b>8</b>

#### **Model Answer**

##### **(a) Definition & reasons**

##### **Definition:**

A bank reconciliation compares the balance in the entity's cash book (bank column) with the

balance shown on the bank statement at the same date, explaining differences due to timing and recording errors so that the book balance is properly stated.

**Two reasons for preparing it:**

1. To detect and correct errors and omissions in the cash book (e.g., bank charges, standing orders, miscasts)
2. To identify timing differences (e.g., outstanding lodgements, unpresented cheques) and confirm the existence/accuracy of cash

**(b) (i) Adjusted Cash Book**

Date	Particulars (Dr)	Bank (Dr)	Date	Particulars (Cr)	Bank (Cr)
Oct	Debtor deposit (direct)	254,500	Oct	Bank charges	12,450
Oct	Cheque shown by bank as FRW 47,500 vs 74,500 (align to bank this month)	27,000	Oct	Interest on overdraft	135,480
Oct	Stale cheque reversal (dated 15 Mar 2022)	84,000	Oct	Insurance premium paid via bank	35,485
			Oct	Standing orders processed	138,000
			Oct	Payments side undercast (correct)	32,000
			Oct	Cheque issued 140,000 entered as 104,000	36,000
			Oct	Dishonoured cheque (31 Oct)	112,600
	<b>Balance c/d</b>	<b>677,915</b>		<b>Balance b/f (overdraft)</b>	<b>532,400</b>
	<b>Totals</b>	<b>1,034,415</b>		<b>Totals</b>	<b>1,034,415</b>

**(ii) Bank Reconciliation Statement as at 31 Oct 2022**

Start with Adjusted cash book balance (overdraft)		<b>-716,341</b>
<b>Add: Outstanding lodgements (recorded in cash book, not yet by bank)</b>		
Cheques banked 29 Oct, credited 5 Nov	354,890	
Deposits 30 Oct credited 2 Nov (512,600 – dishonored 112,600)	400,000	



<b>Total outstanding lodgements</b>		<b>754,890</b>
<b>Less: Unpresented cheques (recorded in cash book, not yet by bank)</b>		
Cheques issued not presented less staled cheque (745,964-84,000)		
Effective unpresented cheques		(661,964)
Bank error Note 7		(27,000)
Bank error(Note 9		(27,500)
<b>Balance as per bank statement, 31 Oct 2022 (overdraft)</b>		<b>(677,915)</b>

### QUESTION THREE

a) Prepare the Club's restaurant trading account for the period ended on 30<sup>th</sup> June 2023

#### Marking guide

1 mark for each correct posting, excluding subtotal and total

**5 Marks**

b) Prepare Club's statement of revenues and expenditures for the period ended on 30<sup>th</sup> June 2023

#### Marking guide

1 mark for each correct posting excluding subtotals and totals max 11 11

1 mark for each correct working of subscription income for the year max 1 1

1 mark for each correct working of rent expense for the year max 1 1

1 mark for each correct working of depreciation of furniture for the year max 1 1

1 mark for each correct working of competition prize expenses for the year max 1 1

**Total Marks 15**

#### Model answers

a) Prepare the Club's restaurant trading account for the period ended on 30<sup>th</sup> June 2023

#### Marking guide

**Kacyiru Tennis Club Bar & Restaurant Trading Account For the period ended on 30<sup>th</sup> June 2023**

<b>Particulars</b>	<b>Amount (Frw)</b>	<b>Amount (Frw)</b>
<b>Restaurant receipts</b>		56,800,000
Cost of goods for sale		
Purchases	50,400,000	
Add Opening Bar & Restaurant Inventory	2,600,000	
Less Closing Bar & Restaurant inventory	(3,000,000)	
Add credit purchases	400,000	

Less cost of goods for sale		50,400,000
<b>Restaurant profit</b>		<b>6,400,000</b>

**b) Prepare Club's statement of revenues and expenditures for the period ended on 30<sup>th</sup> June 2023**

**Kacyiru Tennis Club's Statement of revenues and expenditures For the period ended on 30th June 2023**

<b>Particulars</b>	<b>Amount (Frw)</b>	<b>Amount (Frw)</b>
Subscription (W1)	29,620,000	
Games and Competition receipts	13,640,000	
Bar & Restaurant trading profit	6,400,000	
Total revenues		49,660,000
Club staff wages	13,380,000	
Rent(W2)	5,000,000	
Rates	2,700,000	
Secretary salaries	3,120,000	
Lighting	7,200,000	
Competition prizes(W4)	4,300,000	
Printing and Postage	6,000,000	
Depreciation(W3)	4,800,000	
Total expenditures		46,500,000
Surplus for the year ended 30th June 2023		3,160,000

1	Subscription	
	No of Members	160
	Subscription per member per year	185,125
	Subscription for the year	29,620,000
2	Rent	
	Total rent paid	7,500,000
	No of months covered	18
	Rent per month (7,500,000/18)	416,667
	Rent for the year ended 30th June 2023	5,000,000
3	Depreciation	
	Carrying value as at 1st July 2022	48,000,000
	Depreciation rate	10%
	Depreciation expense for the period	4,800,000

4	Competition prize	
	Prizes purchased within the year	4,000,000
	Add opening stock	800,000
	Less closing stock	(500,000)
	Competition prize for the year	<u>4,300,000</u>

## QUESTION FOUR

### Marking Guide

#### a) Q1 IFRS 15:

##### i)

Award 1 mark for Max discount	1
Award 1 mark for Expected uptake at recognition	1
Award 1 mark for Transaction price / Revenue	1

##### ii) Award 1 mark for correct journal entry

##### iii) Award 2 marks for correct explanations

#### b) Q2 IAS 2:

i) Award 1 mark for each Correct item-by-item lower of cost/NRV (3)

ii) Award 1 mark for Total write-down (1)

#### c) Q3 IAS 10 :

i) Customer liquidation: split between adjusting (pre-year-end) and non-adjusting (post-year-end) with accounting/disclosure (2)

ii) Flood: non-adjusting; disclose nature and financial effect (including insurance) (2)

#### d) Q4 IAS 16/IAS 20 (6):

i) Half-year depreciation & grant amortization (2)

ii) Carrying amount & deferred income at 31/12/X5 (2)

iii) Net-presentation explanation (2)

### Model answers

#### a) (IFRS 15)

- i) Max discount =  $3\% \times 300,000 = 9,000$ .  
 Expected uptake at recognition =  $(70\% \times 9,000) = 6,300$ .  
 Transaction price / Revenue (Dec 20X5) =  $(300,000 - 6,300) = \text{RWF } 293,700$
- ii) Jan 20X6 true-up: actual discount =  $60\% \times 9,000 = 5,400$   
 Previously recognized 6,300 increase revenue RWF 900  
 Dr Contract liability/discount provision 900  
     Cr Revenue 900

- iii) Settlement discount is variable consideration; estimate at recognition using expected value and recognized to the extent not constrained.

**b) (IAS 2)**

**i)**

A: lower of cost 50 and NRV 48, therefore the value of inventory is  $48 \times 100 = 4,800$ .  
 B: lower of cost 40 and NRV 45. Therefore value of inventory is  $40 \times 200 = 8,000$ .  
 C:  $NRV = 32 - 5 = 27$  vs cost 30. Therefore value of inventory is  $27 \times 50 = 1,350$ .

**Closing inventory** =  $4,800 + 8,000 + 1,350 = \text{RWF } 14,150$ .

**iv) Total cost** =  $5,000 + 8,000 + 1,500 = \text{RWF } 14,500$  Therefore the write-down = **RWF 350** ( $14,500 - 14,150$ )

**c) (IAS 10)**

- RWF 10.0m (pre-year-end sales) is an adjusting event resulting in impair/write off in 20X5.
- RWF 2.5m (Jan sales) is a non-adjusting that is to be disclosed in 20X5 if material; recognize loss in 20X6
- Flood (5 Jan 20X6): non-adjusting; disclose nature and estimated effect (loss 80m; expected insurance recovery 60m; net 20m if reliably measurable).

**d) (IAS 16 & IAS 20, deferred income presentation)**

i) Depreciation p.a. =  $100\text{m}/5 = 20\text{m}$  and for half-year 20X5 =  $10\text{m}$ .

Grant income p.a. =  $20\text{m}/5 = 4\text{m}$  → and for half-year 20X5 =  $2\text{m}$ .

Carrying amount 31/12/X5:  $100\text{m} - 10\text{m} = \text{RWF } 90\text{m}$ .

Deferred income at 31/12/X5:  $20\text{m} - 2\text{m} = \text{RWF } 18\text{m}$ .

ii) Net presentation: grant deducted from cost; depreciation charged on (cost – grant). Effect: lower depreciation each period and no separate “other income”; total profit impact over the asset’s life is identical.

**QUESTION FIVE**

**Marking guide**

- a) Award 1 mark for each Benefits of information provided by the IAS 7 Statement of Cash Flows
- b)

Marking Guide	Marks
Reported net profit before tax	0.5

<b>Adjustments</b>	
Depreciation on motor vehicles	0.5
Profit on disposal of motor vehicles	0.5
Interest expense	0.5
Depreciation on furniture and fittings	0.5
Depreciation on buildings(W2)	1
Adjusted net profit	0.5
<b>Working capital changes</b>	
less Increase in stocks	0.5
add Decrease in debtors	0.5
add Prepayments decreased	0.5
add Increase in trade creditors	0.5
Cash generated from operating activities	0.5
Tax paid(W3)	0.5
Net cashflows from operating activities	0.5
<b>Financing activities</b>	
Interest paid(W4)	1
Dividends paid	0.5
issue of debentures	0.5
laon repayment	0.5
share issue(W5)	1
cash generated from financing activities	0.5
<b>INVESTING ACTIVITES</b>	
Purchases of motor vehicles	1
Purchase of land	0.5
Proceeds of disposed motor vehicles	0.5
Cash generated from investing activities	0.5
net change in cas and cash euivalent	0.5
Cash and cash equivalent b/f	0.5
Cash and cash equivalent as at 31.03.2023	1
Total	15

### Model Answer

#### c) Benefits of information provided by the IAS 7 Statement of Cash Flows

- Cash Flow Statement helps in knowing the exact figure of cash inflows and outflows from various operations of the business.
- It helps in comparing the cash budgets of past assessments with the present to assess the future requirements of the cash.

- Cash flow statement majorly used in preparing the cash budget for future needs and helps in knowing the periodical requirement of cash in the business.
- It gives the accurate information about the cash-based transactions in the business.
- It reveals the key changes required for the financial positioning of the business and prioritizes important activities to the management.
- provides the information about various investing and financing cash transactions takes place during the year and helps in evaluating the financial structure of the business.
- Cash Flow statement helps in identifying the profitability of the business when it compared with the ratio analysis

**b) Cash flow statement the year ended 31 March 2023**

<b>Description</b>	<b>(FRW “000”</b>	<b>(FRW “000”</b>
<b>Cash flows from operating activities</b>		
Profit before tax (8,000+7,000) W1	15,000	
Add: Depreciation – motor vehicles W2	4,000	
Add: Depreciation – furniture & fixtures W2	3,000	
Add: Depreciation – buildings W2	10,000	
Less: Gain on sale of motor vehicles W7	(3,000)	
Add: Interest expense	8,000	
Working capital changes:		
• Increase in stocks	(8,000)	
• Decrease in debtors	2,000	
• Decrease in prepayments	2,000	
• Increase in trade creditors	8,000	
<b>Cash generated from operations</b>	<b>41,000</b>	
Income tax paid W3	(6,000)	
<b>Net cash from operating activities</b>		<b>35,000</b>
<b>Cash flows from investing activities</b>		
Purchase of land & buildings (cash) W2	(40,000)	
Additions to motor vehicles W2	(23,000)	
Proceeds from sale of motor vehicles	11,000	
<b>Net cash (used in) investing activities</b>		<b>(52,000)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares for cash W6	15,000	
Proceeds from issue of 10% debentures W6	10,000	
Repayment of bank loan	(4,000)	
Dividends paid W5	(6,000)	
Interest paid W4	(5,000)	
<b>Net cash from financing activities</b>		<b>10,000</b>

<b>Net decrease in cash &amp; cash equivalents</b>		<b>(7,000)</b>
Cash & cash equivalents at beginning of year		3,000
Cash & cash equivalents at end of year (overdraft)		(4,000)

### Working 1: Tax

Opening balance	5,000
<b>Add Tax expenses</b>	7,000 (balancing figure)
<b>Less tax paid</b>	<b>(6,000)</b>
<b>Closing Balance</b>	<b>6,000</b>

### Working 2: PPE

	Land and buildings	Motor vehicles	Furniture and fixtures
<b>Opening balances</b>	55,000	35,000	28,000
<b>Purchase</b>	40,000	23,000 (balancing)	-
<b>Revaluation</b>	10,000		
<b>Disposal</b>		(8,000)	
<b>Depreciation</b>	(10,000) (balancing)	(4,000)	(3,000) (balancing)
<b>Closing balance</b>	<b>95,000</b>	<b>46,000</b>	<b>25,000</b>

### W3 corporate tax

bal b/f(A)	5,000
Tax paid(B)	6000
balc/f(C)	6,000
p&l (Cash)(A+B-C)	5,000

### W4 INTEREST PAID

bal b/f (A)	6,000
p&l(B)	8000
bal c/f(C)	9,000
interest paid(cash)(A+B-C)	5000

### W5 dividends paid

bal b/f(A)	4,000
P&L(B)	5000
bal c/f (C)	3,000
dividends paid (cash)(A+B-C)	6000

### W6 Share issue

bal c/f(A)	80,000
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bonus(B)	20,000
bal b/f(C)	50,000
share premium increase	5,000
cash receipt from issue of shares	15,000

**W7 Motor vehicle disposal cash**

net book value(A)	8000
gain on disposal(B)	3000
cash on disposal(A+B)	11000

**End of Marking Guide and Model Answer**