



CERTIFIED PUBLIC ACCOUNTANT
FOUNDATION LEVEL 1 EXAMINATION
F1.3: FINANCIAL ACCOUNTING
DATE: TUESDAY 25, NOVEMBER 2025

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 **one compulsory question**.
4. Section **B** has **four questions** and only **three questions** are to be attempted.
5. Marks allocated to each question are shown at the end of the question.
6. Show all workings where applicable.
7. Any assumptions made must be clearly and concisely stated.
8. The question paper should not be taken out of the examination room.

SECTION A

QUESTION ONE

You have joined Ngoga & Co., Certified Public Accountants, as a junior audit staff. Your senior assigns three client files and asks you to prepare organized working papers and a brief report for each, demonstrating mastery of debits and credits and the preparation and review of financial statements.

a) Kigali Plastics Ltd has presented the following draft trial balance as at 31 October 2023, which you have ticked to cast correctly

Kigali Plastics Ltd — Trial Balance As At 31 October 2023

Account	FRW '000"	FRW '000"
Land and buildings	25,000	
Plant and machinery	8,000	
Motor vehicle	2,000	
Inventory	6,000	
Accounts receivables	20,000	
Bank	4,100	
Debenture interest	400	
Administrative expense	13,000	
Distribution cost	6,000	
Other operating expense	1,550	
Interim dividend paid	2,000	
Corporation tax (opening balance)	500	
Ordinary shares of FRW 100 each		10,000
10% preference shares of FRW 200 each		9,000
10% debentures		8,000
Accounts payables		19,000
Capital redemption reserve		6,000
Share premium		4,000
Retained profits as at 1 November 2022		3,000
Gross profit		25,000
Other operating income		4,550
Totals	88,550	88,550

Additional information:

1. A building included within land and buildings is currently carried at a net book value of 5,000,000 and was revalued to 9,000,000 on 30 October 2023; land is not depreciated and the revaluation relates to the building element only.
2. The corporation tax charge for the year ended 31 October 2023 is estimated at 3,000,000; the trial balance figure of 500,000 is the opening balance before the current-year charge
3. Depreciation is provided on a reducing-balance basis as follows, charged to the functions indicated: land and buildings 10% to administrative expense; plant and machinery 20% to

distribution cost; motor vehicle 20% to distribution cost. The figures in Trial balances are opening net book values at 1 November 2022; land is not depreciated

4. Expected credit losses are assessed at 5% of closing trade receivables; any movement is recognized in administrative expense
5. An October supplier invoice for consumable factory spares of 800,000 was received on 3 November and is not recorded; these spares are expensed to other operating expense
6. Bank interest for October of 120,000 appears on the bank statement and is unrecorded; classify as finance cost.

Required:

- i) **Prepare the Statement of Profit or Loss for the year ended 31 October 2023 showing operating profit, finance costs and profit for the year after tax** (10 Marks)
- ii) **Prepare the Statement of Financial Position as at 31 October 2023** (12 Marks)

b) You are performing an opening-month walkthrough for a new wholesale stationery client to assess whether the sales, purchases and cash cycles are captured accurately in the books of prime entry. Your senior expects you to compile July's prime entries from source documents and the bank record, carry down balances to feed the control accounts, and demonstrate that day-book totals reconcile to movements in receivables and payables and to the bank column

The following July 2023 transactions have been provided to you

1. On 1 July, shop fittings and fixtures were acquired on credit from Mugambo Fitments Ltd for FRW 1,200,000 and should be recognized as a non-current asset.
2. On 2 July, goods were purchased on credit from Kasinza for FRW 1,000,000.
3. On 4 July, goods were sold on credit to Pierre for FRW 1,050,000.
4. On 9 July, goods were purchased on credit from Aline for FRW 500,000.
5. On 11 July, goods were sold on credit to Vincent for FRW 950,000.
6. On 13 July, a cash sale of FRW 350,000 was made and banked the same day.
7. On 16 July, a cheque was received from Pierre in full settlement of his account; assume no cash discount.
8. On 17 July, goods were purchased on credit from Daniella for FRW 980,000
9. On 18 July, goods were sold on credit to Josiane for FRW 400,000.
10. On 19 July, a cheque was sent to Kasinza in full settlement; assume no cash discount.
11. On 21 July, delivery expenses of FRW 55,000 were paid by cheque.
12. On 24 July, FRW 250,000 was received from Vincent by cheque on account.
13. On 30 July, assistant's wages of FRW 380,000 were paid by cheque.
14. On 31 July, Aline's account was settled by cheque for FRW 500,000.
15. On 31 July, the bank statement shows unrecorded bank charges of FRW 12,000
16. Throughout July, assume there are no cash discounts on any transaction and all cheques clear on the date shown

Required:

Prepare the Sales Journal, the Purchases Journal and the Cash Book (bank column only) for July, carry down balances at 31 July (8 Marks)

c) You are completing an October general-ledger review for a restaurant client. Your senior has asked you to identify control and posting failures affecting revenue, purchases, capital versus revenue classification and drawings, then draft correcting journals that clear sub-ledger mismatches and quantify the impact on profit. Treat this as an audit adjustment schedule to accompany the management letter.

The following information for October 2023 has been provided to you

1. On 5 October, the return inwards day book was undercast by FRW 500,000, leaving sales returns understated and trade receivables overstated
2. On 8 October, a receipt of FRW 300,000 from Mr Kamanzi was debited to the account of Mr Kamana, creating a misposting within receivables sub-ledgers
3. On 11 October, wages of FRW 1,000,000 for installation of a coffee machine were charged to wages expense although the machine qualifies as property, plant and equipment and should have been capitalized.
4. On 14 October, goods purchased for FRW 1,000,000 were posted to the purchases account as FRW 100,000, understating purchases by FRW 900,000
5. On 18 October, furniture costing FRW 3,000,000 was debited to purchases instead of being capitalized as property, plant and equipment
6. On 25 October, goods withdrawn by the proprietor for personal use amounting to FRW 1,000,000 were debited to the company's purchases account

Required:

Record proper journals with brief narratives to correct each item, state for each whether the correction increases, decreases or does not affect profit and by how much, and compute the corrected profit for the year after all corrections (10 Marks)

SECTION B

QUESTION TWO

a) **Explain the term bank reconciliation and state two reasons for preparing it.** (4 Marks)

b) The cash book (bank column) of Musanze Traders Company Ltd shows a credit balance (overdraft) of FRW 532,400 at 31 October 2022. This does not agree with the balance shown on the bank statement for the same date. The following independent items relate to October/early November (amounts in FRW):

1. Bank charges totaling 12,450 and interest on overdraft amounting 135,480 appear only on the bank statement for October.
2. A debtor deposited 254,500 directly into the company's bank account.
3. Insurance premium on mortgaged property of 35,485 was paid through the bank.
4. Standing orders totaling 138,000 were processed through the bank.
5. Cheques totaling 354,890 were deposited on 29 October and credited by the bank on 5 November.
6. Cheques issued totaling 745,964 had not been presented by 31 October.
7. A cheque for 74,500 appears on the bank statement as 47,500.
8. The payments side of the cash book was undercast by 32,000 for October.
9. A cheque deposit for 27,500 relating to another bank customer appears on the company's bank statement for October.
10. An EFT from a customer for 364,400 is entered in the cash book as 346,400.
11. A cheque issued for 140,000 is recorded in the cash book as 104,000.
12. Cheques deposited on 30 October totaling 512,600 include an item 112,600 that was dishonoured on 31 October; the remaining deposits were credited by the bank on 2 November November.
13. Included among unpresented cheques is one for 84,000 dated 15 March 2022.

Required:

- i) **Update the cash book (bank column) for all relevant items and show the adjusted cash book balance at 31 October 2022.** (8 Marks)
- ii) **Prepare a Bank Reconciliation Statement as at 31 October 2022.** (8 Marks)

QUESTION THREE

Kacyiru Tennis Club is a member-based club operating in Kacyiru, Kigali City. The club has been operating for the last 5 years. The club runs a Bar & Restaurant for both members and non-members as a long-term sustainability strategy of not only relying on the membership fees. Below is the receipt and payment account for the period ended on 30th June 2023.

Receipts	FRW	Payments	FRW
Balance b/f	4,740,000	Club staff wages	13,380,000
Subscriptions	29,720,000	Bar & Restaurant Purchases	50,400,000
Entrance fees	3,200,000	Rent	7,500,000
Restaurant receipts	56,800,000	Rates	2,700,000
Games and competition receipts	13,640,000	Secretary salaries	3,120,000
Due to secretary petty expenses	80,000	Lighting	7,200,000
		Competition prizes	4,000,000
		Printing and Postage	6,000,000
		Term deposit account	8,000,000
		Balance c/d	5,880,000
Total	108,180,000		108,180,000

The following are additional relevant information on the club's operations for the period ended 30th June 2023

1. The rent paid during the year was for the period of 18 months up to 30th September 2023
2. The club had 160 members as at 1st July 2022 with each member required to pay annual subscription of FRW 185,125
3. Of the subscriptions received during the year ended 30th June 2023, included FRW 700,000 for the previous year ended 30th June 2022 and FRW 400,000 paid in advance for the year ending 30th June 2024;
4. On 30th June 2023, the Bar & Restaurant had a stock at hand of FRW 3,000,000 and the club had prizes in stock of FRW 500,000;
5. As at 30th June 2023, the club owed FRW 5,600,000 for the restaurant supplies;
6. Depreciation on furniture is 10% on reducing balance basis;
7. On the 1st July 2022, the club had the following assets at its disposal;
 - Carrying value of Furniture of FRW 48,000,000
 - Bar & Restaurant inventory of FRW 2,600,000
 - Prizes of FRW 800,000
 - Bar & Restaurant payables of FRW 5,200,000

Required:

a) Prepare Club's restaurant trading account for the period ended on 30th June 2023
(5 Marks)

b) Prepare Club's statement of revenues and expenditures for the period ended on 30th June 2023. (15 Marks)

QUESTION FOUR

You are the Assistant Accountant at Kivu Ltd, a Kigali-based manufacturer of office furniture. You are closing the books for the year ended 31 December 20X5. Kivu applies IFRS (IAS/IFRS as issued by IASB) and presents one year of comparatives. Management expects you to measure, recognize and disclose the transactions below in line with IFRS without changing existing accounting policies. Unless stated, ignore tax and financing components.

a) On 20–31 December 20X5 Kivu made credit sales invoiced at FRW 300,000 offering a 3% settlement discount for prompt payment. Based on evidence available at recognition, you expect 70% of customers to take the discount. In January 20X6, only 60% actually take it.

Required:

- i) Determine the transaction price and revenue to recognize in December 20X5** (3 Marks)
- ii) Journalize the January 20X6 adjustment reflecting the actual settlement discounts taken** (1 Mark)
- iii) Explain why, under IFRS 15, the discount is estimated as variable consideration and later adjusted to reflect actual discounts taken** (2 Marks)

b) Your 31 December 20X5 count includes the following (good condition unless noted). Selling costs are negligible except for repair noted for item C.

Item	Qty	Cost/unit (FRW)	NRV info
A	100	50	Current selling price 48
B	200	40	Current selling price 45
C (damaged)	50	30	Sale price 32 after repair cost 5 per unit

Required:

- i) Value closing inventory item-by-item in accordance with IAS 2 inventory** (3 Marks)
- ii) Compute the write-down for the year (if any)** (1 Marks)

c) On 15 February 20X6, a major customer is declared insolvent. Kivu Ltd is owed FRW 12.5 million in total. Of this, FRW 10 million relates to sales made on or before 31 December 20X5, and FRW 2.5 million relates to sales made between 1–14 January 20X6. Further, On 5 January 20X6, a flood destroys inventory with a carrying amount of FRW 80 million. The insurer has indicated an expected reimbursement of FRW 60 million.

Required:

- i) State whether it is adjusting or non-adjusting, and specify the accounting entry and/or disclosure needed in the 20X5 financial statements** (4 Marks)

d) On 1 Jul 20X5, Kivu purchases a machine for FRW 100 million, useful life 5 years, straight-line, no residual value. On the same date the government awards a FRW 20 million grant tied to acquiring/using the machine. Kivu's policy is to present asset-related grants as deferred income

Required:

- i) Compute 20X5 depreciation, grant income recognized in 20X5, carrying amount of the machine at 31 Dec 20X5, and the deferred income balance at that date (4 Marks)
- ii) Briefly explain how the net presentation alternative would change the pattern of expense recognition (2 Marks)

(Total: 20 Marks)

QUESTION FIVE

- a) State FIVE benefits of information provided by the IAS 7 Statement of Cash Flows (5 Marks)
- b) Kigali Ltd., a medium sized trading company, closes its books every 31 March. Below are the comparative balance sheets of Kigali Ltd. for the years ended 31 March 2022 and 2023.

	2023	2022
	FRW. '000'	FRW. '000'
Non-current assets:		
Land and buildings	95,000	55,000
Motor vehicles	46,000	35,000
Furniture and fixtures	25,000	28,000
	166,000	118,000
Current assets:		
Stocks	28,000	20,000
Debtors	14,000	16,000
Prepayments	6,000	8,000
Bank balance and cash in hand	-	3,000
	48,000	47,000
Total assets	214,000	165,000
Equity and liabilities:		
Capital and reserves:		
Ordinary share capital	80,000	50,000
Share premium	20,000	15,000
Revaluation reserve	15,000	25,000
Retained profit	18,000	15,000
	133,000	105,000
Non-current liabilities:		
10% debentures	30,000	20,000
Bank loan	6,000	10,000
	36,000	30,000

	2023	2022
	FRW. '000'	FRW. '000'
Current liabilities:		
Trade creditors	23,000	15,000
Interest payable	9,000	6,000
Corporate tax	6,000	5,000
Bank overdraft	4,000	-
Proposed dividends	3,000	4,000
	45,000	30,000
Total equity and liabilities	214,000	165,000

Additional information:

1. Land and buildings were revalued upwards by FRW. 10,000,000 during the year. In addition, an acquisition of land and building of FRW. 40,000,000 was made.
2. Depreciation on motor vehicles amounting to FRW. 4,000,000 was provided in the profit and loss account for the year. Motor vehicles having a net book value of FRW. 8,000,000 were sold at a profit of FRW. 3,000,000 during the year.
3. Bonus shares of FRW. 20,000,000 were issued at par during the year by utilizing the revaluation reserve. Kigali Ltd.'s ordinary shares have a par value of FRW. 200.
4. Interest expense charged to the profit and loss account for the year amounted to FRW. 8,000,000.
5. During the year, tax amounting to FRW. 6,000,000 was paid.
6. Total dividends for the year (both interim and proposed) amounted to FRW. 5,000,000.
7. The profit after tax for the year amounted to FRW. 8,000,000.

Required:

Prepare Cash flow statement using indirect method for the year ended 31 March 2023 in accordance with the requirements of IAS 7 (15 Marks)

End of Question Paper