CERTIFIED PUBLIC ACCOUNTANT

INTERMEDIATE LEVEL EXAMINATIONS

I1.2: FINANCIAL REPORTING

DATE: TUESDAY 25, NOVEMBER 2025

INSTRUCTIONS:

1. Time allowed: **3 hours and 15 minutes (**15 minutes reading and 3 hours writing)
2. This examination has **two** sections; **A&B**
3. Section **A** has three Compulsory Question while section **B** has two optional questions to choose only one
4. In summary attempt four questions, three questions in section A and one in section B
5. Marks allocated to each question are shown at the end of the question.
6. Show all your workings
7. The question paper should not be taken out of the examination room.

SECTION A

QUESTION ONE

Mr. Ndahiro is a director in Nyanza limited, a major construction company in Rwanda. At a recent board meeting, it was proposed that the company should diversify its operations into retail of building materials by acquiring Remera limited. The board of directors have obtained the financial statements of Remera limited as well as those of Remera Limited's competitor Musanze limited. The financial statements of Musanze Limited for the year ended 31 December 2022 are as follows:

Musanze Limited Income Statement for the year ended 31 December 2022

	FRW"million"
Revenue	84,000
Cost of sales	(68,000)
Gross Profit	**16,000**
Operating costs	(10,700)
Finance costs	(500)
Profit before tax	**4,800**
Income tax expense	(800)
Profit for the year	**4,000**

Musanze Limited statement of financial position as at 31 December 2022

	FRW"million"	FRW"million"
Assets		
Non-current assets		
Property, plant and equipment		20,000
Intangible asset		8,000
		28,000
Current assets		
Inventory	9,000	
Receivables	1,500	
Cash	2,000	12,500
Total Assets		**40,500**
Equity and liabilities		
Equity		
Share capital (Frw 100 each)		12,000
Revaluation surplus		3,500
Retained earnings		7,000
		22,500
Non- current liabilities		
Long-term loan		11,000
Current liabilities		
Trade payables	6,000	
Current tax payable	1,000	7,000
		40,500

The ratios for Remera Limited and Musanze Limited are given as follows:

	Remera Ltd	**Musanze Ltd**
Return on capital employed	18.50%	?
Net asset turnover	2.2 times	?
Gross Profit margin	28.50%	?
Operating profit margin	8.40%	10.20%
Current ratio	1.1:1	?
Inventory days	74 days	?
Payable days	60 days	?

Required:

a) **Calculate the SIX (6) missing ratios for Musanze Limited.** (6 marks)

b) **Mr. Ndahiro is asking for your advice on whether Nyanza Limited should acquire Remera Limited, based on your interpretation of the provided ratios in comparison to Musanze Ltd.** (9 marks)

c) **Explain FIVE (5) possible limitations of ratio analysis for Nyanza Limited as a tool for investment analysis** (5 marks)

(Total: 20 marks)

QUESTION TWO

a) KIGALI TECH ASSEMBLIES Ltd (KTA Ltd) is a large manufacturer specializing in electrical components, precision assembly and light steel fabrication using both computer-controlled and conventional plant. The directors have noted rapid expansion over the last two years and have requested a cash-flow assessment to confirm whether the business has sufficient cash resources to support its growth plans.

KIGALI TECH ASSEMBLIES Ltd published financial statements and additional information for the year ended 31 December 2023 are shown below.

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2023

PARTICULARS	**31-Dec-23 (FRW'000)**
Revenue	96,200
Cost of sales	(78,400)
Gross profit	**17,800**
Other operating income	315,600
Operating expenses:	
Administrative expenses	(409,400)
Staff costs	(552,900)
Profit before finance costs	**(628,900)**
Interest expenses	(782,300)
Loss before tax	**(1,411,200)**
Income tax	-

Loss for the period	(1,411,200)
Other comprehensive income:	
Revaluation gains on property, plant & equipment	1,895,000
Total comprehensive income	**483,800**

Statement of Financial Position as at 31 December 2023 and 31 December 2022

	31-Dec-23 (FRW'000)	**31-Dec-22 (FRW'000)**
Non-current assets		
Property, plant & equipment	9,820,750	3,305,660
Intangible assets	6,750	9,500
Total non-current assets	**9,827,500**	**3,315,160**
Current assets		
Inventory	372,900	305,400
Trade and other receivables	835,250	1,185,700
Cash and cash equivalents	621,340	240,990
Assets held for sale	12,450	179,800
Total current assets	**1,841,940**	**1,911,890**
Total assets	**11,669,440**	**5,227,050**
Equity		
Share capital	1,200,000	1,200,000
Retained earnings	(505,900)	1,115,420
Revaluation reserve	2,045,000	150,000
Total equity	**2,739,100**	**2,465,420**
Non-current liabilities		
Loan from directors	1,230,000	1,410,000
Bank long-term loan	645,000	-
Total non-current liabilities	**1,875,000**	**1,410,000**
Current liabilities		
Trade and other payables	1,745,500	920,600
Interest payable	220,400	33,200
Short-term bank borrowing	5,082,500	101,830
Provisions	6,940	9,000
Income tax payable	-	287,000
Total current liabilities	**7,055,340**	**1,351,630**
Total equity and liabilities	**11,669,440**	**5,227,050**

Additional Information:

1) One of the non-current assets classified as held for sale was sold during the year, resulting in a loss of FRW 62,300,000. The expected proceeds and related loss have been reflected in the financial statements.
2) On 1 January 2023, an asset with an original cost of FRW 3,500,000,000 and accumulated depreciation of FRW 3,100,000,000 at the date of disposal was sold, resulting in a gain on disposal of FRW 100,000,000. Property, plant and equipment depreciate at a rate of 5% on a reducing balance basis and at the end of 2023 KTA ltd made revaluation of its non-current assets.
3) Amortization charged in the year for intangible assets is FRW 2,750,000.

4) Depreciation and amortization during the year was included in administrative expenses.
5) At the end of the financial year, it was discovered that an amount of FRW 2,000,000,000 had been incorrectly classified from Trade and Other Receivables to Short-term Bank Borrowings.
6) The tax authority has approved a tax credit for 2023, and the company recognizes a deferred tax asset for the approved credit as at 31 December 2023.

Required:

In accordance with IAS 7 Statement of Cash Flows, **prepare the statement of cash flows for KIGALI TECH ASSEMBLIES Ltd for the year ended 31 December 2023**. (20 Marks)

b) As a senior accountant who has knowledge of both public and private sector reporting, **discuss the main differences between IPSAS 1 and IAS 1 in the presentation of financial statements.** (10 Marks)

(Total: 30 marks)

QUESTION THREE

Oman holding Ltd is a large, diversified private-sector conglomerate headquartered in Gasabo, Kigali, with a history dating back to 1988. It's one of the biggest employers in Rwanda, with over 5,000 people. The group has expanded beyond Kigali City with investments in Mumbai Ltd, a construction company based in Musanze district. The group policy instructs all sister companies to prepare financial statements on 31 December and present them in Rwandan Francs.

The draft Statement of financial position as at 31 December 2024 are:

	OMAN Ltd	**Mumbai**
	FRW"million"	**FRW"million"**
Non-current assets		
Property, plant and equipment	2,945	1,900
Investment	625	
	3,570	**1,900**
Current assets		
Inventory	1,825	910
Contract asset		536
Trade and other receivable	2,140	213
Cash and bank	899	131
Total Assets	**8,434**	**3,690**
Equity and Liability		
Equity		
Share capital of Frw 2,000 per share	1,000	400
Share premium	420	100
Revaluation reserves	220	400
Retained earning	3,430	1,400

	5,070	**2,300**
Non-current liability		
10% loan note	820	290
	820	290
Current Liability		
Trade and other payable	2,544	1,100
	2,544	**1,100**
Total equity and Liability	**8,434**	**3,690**

Additional information:

1) The investment in Mumbai Ltd was made on 1 January 2023. The details of the acquisition were: Oman Ltd acquired 80% of Mumbai Ltd, the costs of acquisition were settled by immediate cash payment of FRW 400 million and share exchange of two (2) share in Oman Ltd for every five (5) shares acquired in Mumbai Ltd. Only cash payment was recognized and the share exchange was not recognized in the books of account until year end on 31 December 2024. The market price of Oman Ltd's share on 1 January 2023 was FRW 5,000.
2) At acquisition of Mumbai Ltd, the retained earnings were FRW 380 million, revaluation reserve was FRW 60 million while the fair value of net assets at acquisition was FRW 1.04 billion.
3) The fair value difference in Mumbai Ltd relates to property, plant and equipment being depreciated over the remaining useful life of 10 years from acquisition date.
4) Oman Ltd elected to measure the non-controlling in Mumbai Ltd at fair value at the date of acquisition. The fair value of the non-controlling interests in Mumbai Ltd at 1 January 2023 was FRW 450 million.
5) The goodwill in Mumbai Ltd was impaired by 20% on 31 December 2024.
6) As part of group diversification plan, on 30 June 2024, Oman Ltd acquired 40% of the issued ordinary shares in Global Logistic Ltd, a company that offer shipment services. Oman Ltd paid FRW 225 million for shareholding acquired in Global Logistics company. The retained earnings of Global Logistic Ltd as at 31 December 2024 was FRW 320 million, of which the profit for the year ended 31 December 2024 was FRW 120 million.

Required:

a) **Prepare consolidated statement of financial position of Oman Holding Ltd as at 31 December 2024.** *Indicate clearly all the workings*. (22 marks)

b) **Discuss FOUR (4) circumstances, as outlined in IFRS 10, under which a parent company may be considered to have control over another entity even when it holds half or less of the voting power.** (8 Marks)

(Total: 30 Marks)

SECTION B

QUESTION FOUR

a) BNP Brewery Ltd is developing a new production process to improve the company's production capacity. During 2023, expenditure incurred was FRW 10 million of which 7.3 million was incurred before 1 December 2023 and FRW 2.7 million was incurred between 1 December 2023 and 31 December 2023. The entity is able to demonstrate that, at 1 December 2023, the production process met the criteria for recognition as an intangible asset. The recoverable amount of the production system under development including future cash outflows to complete the process before it is available for use is estimated to be FRW 4.2 million.

During 2024, expenditure incurred on development was FRW 6.2 million. At the end of 2024, the recoverable amount of new production process including future cash outflows to complete the process before it is available for use is estimated to be FRW 8.1 million.

Required:

Referring to IAS 38-Intangible assets, explain how the above costs incurred will be reported in the financial statements for 2023 and 2024. (6 Marks)

b) Vladimir electronics Ltd, a company that imports electronic devices from China to Rwanda signed a contract with big communication company called Mobiphone Ltd. The company's year ends on 31 December.

The contract is aimed to increase the number of people in rural areas to access telephone and internet, the scheme was labelled as Macye-Macye.

Vladimir Electronics Ltd imports smartphones at unit costs of FRW 150,000 and distribute these telephones to customers on credit in different provinces. One telephone delivered through Macye-Macye program is sold at FRW 200,000 and the customers pay in the installments using Mobile Money where they pay FRW 10,000 per month until total debt is cleared. The clients' payment through MoMo is collected by Mobiphone Ltd and remitted to Vladimir electronics Ltd on quarterly basis.

During the year ended 31 December 2024, Vladimir Electronics Ltd distributed 1,000 telephones. After inspection, 200 telephones were rejected and no delivery note signed for rejected items. On 31 December 2024, Mobiphone Ltd transferred FRW 80 million to Vladimir Electronics Ltd's bank account as part of payment for supplied telephone.

Required:

Referring to IFRS 15, explain the steps that Vladimir Electronics Ltd should follow to recognize revenue from the Macye-Macye scheme, and show the double-entry records for the transactions made during 2024. *Note: Related each step to the case given.* (14 Marks)

(Total: 20 Marks)

QUESTION FIVE

a) Century Park Ltd is a supermarket incorporated in Rwanda as wholesale company and expanded its operations by setting up a branch in Nairobi-Kenya since 1 January 2022. The head office is based in Kigali and the functional currency of Kigali serves as presentation currency of Century Park Ltd.

The draft trial balance before adjustments for stock transit as at 31 December 2024 is shown below

	Head office-Kigali		**Nairobi Branch**	
	FRW"000"		**Ksh"000"**	
	Dr	**Cr**	**Dr**	**Cr**
Building offices (Carrying amount)	321,410			
Inventory on 31 December 2023	40,200		4,200	
Rent			2,450	
Computers (Carrying amount)	25,300		15,900	
Salaries and Wages	65,420		12,900	
Inventory on 31 December 2024	62,300		4,000	
Sales from Supermarket		945,685		18,000
Goods Transferred to Branch from by Head office to Nairobi branch		150,000		
Good received by Branch from Head office			12,000	
Cash and bank	32,000		8,350	
Other operating expense	7,300		2,500	
Purchases	726,049			
Trade and other payable		490,000		5,200
Loan		129,095		
Depreciation expense	35,401		840	
Branch Office Current Account	399,400			
Head Office Current Account				39,940
	1,714,780	**1,714,780**	**63,140**	**63,140**

Additional information:

1) The Inventory of Nairobi branches represent the goods received from head office and it is recorded at costs plus 10%.
2) The goods transferred from head office reported in the trial balance were transferred goods on 2 January 2024 to enable Nairobi branch meet customer needs and the goods were received on the same day.
3) The sale of KSH 1,200 made by Nairobi branch on credit were not recorded until year end
4) For reconciliation purpose, the current accounts are translated using closing rate

The exchange rates for the reporting period are detailed below	1 Ksh to FRW
31-Dec-24	10
02-Jan-24	12
Average for the year	9

Required:

i) Prepare translated trial balance of Nairobi Branch as at 31 December 2024. (6.5 Marks)

ii) Prepare combined statement of profit or loss of Century head office and Nairobi branch for the year ended 31 December 2024. (4.5 Marks)

b) Century Park Ltd intends to prepare an interim report on 30 June 2025. The entity must ensure compliance with IAS 34 by including all the minimum components of an interim financial report and presenting them for the appropriate comparative periods.

Required:

Discuss the minimum components of an interim financial report as required by IAS 34, and the periods for which interim financial statements must be presented, with examples. (9 Marks)

(Total: 20 marks)

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