



CERTIFIED ACCOUNTING TECHNICIAN (CAT)

STAGE 2 EXAMINATION

S2.1 PREPARATION OF BASIC ACCOUNTS

DATE: NOVEMBER 2025

MODEL ANSWERS AND MARKING GUIDE

SECTION A

Marking guide

Question Number	Answer	Marks	Question Number	Answer	Marks
1	D	2	26	B	2
2	C	2	27	C	2
3	D	2	28	A	2
4	A	2	29	B	2
5	C	2	30	B	2
6	B	2	31	C	2
7	B	2	32	D	2
8	B	2	33	D	2
9	D	2	34	A	2
10	C	2	35	C	2
11	B	2	36	A	2
12	C	2	37	C	2
13	D	2	38	D	2
14	B	2	39	B	2
15	A	2	40	C	2
16	B	2	41	D	2
17	C	2	42	D	2
18	C	2	43	D	2
19	B	2	44	B	2
20	D	2	45	D	2
21	A	2	46	D	2
22	C	2	47	D	2
23	D	2	48	C	2
24	B	2	49	B	2
25	D	2	50	B	2

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Model Answers

QUESTION ONE

The correct answer is D.

Both B&C are correct statements because Purchase invoice is source document which is recorded in purchase daybook (a book of prime entry)

A is not correct because Business transactions are captured in the source documents before recording them in books of prime entry

B is nor correct because it excludes C

C is nor correct because it excludes B

QUESTION TWO

The correct answer is C.

The system of recording transaction on the basis of their two fold effect is called double entry system

A is not correct because accounting records only transactions and events which are financial in nature. Non-financial transactions do not form part of accounting records

B is not correct because purchases made from B for cash is debited to purchases and credited to cash

D is not correct because the balance of an account is always known by the side which is higher

QUESTION THREE

The correct answer is D

The books of primary entry include sales daybook, the journal and purchases daybook.

Option A is not correct because it includes (iii) payables ledger which is not a book of prime entry;
Option B is not correct because it excludes (iv) payables daybook which is a book of prime entry;
Option C is also not correct because it excludes (ii) the journal book which is a book of prime entry.

QUESTION FOUR

The correct answer A

This is known as Business Entity concept. It states that the business and the owner are two separate entities. Thus, assets and liabilities of the business should be separate from those of the proprietor, in accounting convention.

B is not correct because Double entry concept states that every transaction has two aspects, debit and credit. The entity has to record every transaction and give effect to both debit and credit elements.

C is not correct because Separation of business concept does not exist. It should not be confused

with the Business Entity concept

D is not correct because matching concept states that during the period for which revenue has been considered, the entity needs to account for expenses only relating to that period. It means that the entity has to record revenue and expenses for the same period

QUESTION FIVE

The correct answer is C

Receivables = (FRW 77,000 + FRW 33,000) - (FRW 48,000 + FRW 21,000) = FRW 41,000

A is not correct because it adds assets with accounts payable minus equity: FRW 48,000 + FRW 33,000 + FRW 21,000 - FRW 77,000 = FRW 25,000

B is not correct because it does not consider accounts payable: FRW 77,000 - FRW 48,000 - FRW 21,000 = FRW 8,000

D is not correct because it considers assets minus liabilities: FRW 48,000 + FRW 21,000 - FRW 33,000 = FRW 36,000

QUESTION SIX

The correct answer is B. Option A, B and C are not correct as described below:

B equity = FRW 100,000 + FRW 80,000 = FRW 180,000 Increase

A is not correct: equity = FRW 100,000 + FRW 80,000 = FRW 180,000 decrease

C is not correct: equity = FRW 100,000 - FRW 80,000 = FRW 20,000 Decrease

D is not correct: equity = FRW 100,000 - FRW 80,000 = FRW 20,000 Increase

QUESTION SEVEN

The correct answer is B

The payment for expanding the production facility is a capital expenditure and not revenue expenditure. The facility will be used for more than one year and thus this capital expenditure should be allocated to the useful life of the facility unlike the other expenditure that relate to one year of operations.

QUESTION EIGHT

The correct answer is B

Receivables and prepayments:	FRW 000
Insurance $9,000 \times 8/12$ prepayment	6,000
Loan (receivable)	12,000
Interest due $12,000 \times 2\%$ (receivable)	240
Rent due (receivable)	4,000

22,240

Option A is not correct since it assumes interest (FRW 240,000) to be an accrued expense (liability) instead of accrued income(asset)

Option C is not correct because it only recognizes the following:

Receivables and prepayments:	FRW 000
Insurance $9,000 \times 8/12$ prepayment	6,000
Interest due $12,000 \times 2\%$ (receivable)	240
Rent due (receivable)	4,000
	10,240

This option thus excludes the loan receivable.

Option D is not correct because it wrongly classify a prepaid expenses into liabilities instead of classifying it into assets.

QUESTION NINE

The correct answer is D.

Depreciable amount= cost-residual value = FRW 10,000,000 - FRW 2,000,000 = FRW 8,000,000

A is not correct = (FRW 10,000,000- FRW 2,000,000)/5= FRW 1,600,000. This is annual depreciation

B is not correct = FRW 10,000,000/5 = FRW 2,000,000

C is not correct = (FRW 10,000,000/5) - FRW 2,000,000

QUESTION 10

The correct answer is C

Because this statement is wrong. Depreciation is **not** an amount of fund set aside for future replacement of non-current assets

A, B,&D are all correct statements about depreciation

QUESTION 11

The correct answer is B

Dr. Rent: 30M, Dr. Prepaid rent:2M and Cr. Cash 32M. Rent is debited with actual expense of the year, prepaid rent is considered as asset

A is not correct because it violates the double entry by increasing cash and reducing rent and does not consider the prepayment

C is not correct because it considers prepaid rent as a liability

D is not correct because it ignores the prepayment/Prepaid rent

QUESTION 12

The correct answer is C

Option C is not correct because prepaid income are not recorded as current assets in the balance sheet but as current liability.

All other options are true statements.

QUESTION 13

The correct answer is D. The prepaid rent is calculated as follows:

Total annual rent payable = FRW 600,000*6 = FRW 3,600,000

Prepaid rent: = FRW 4,200,000-FRW3,600,000=FRW600,000

A is not correct because FRW 4,200,000 is the actual amount of rent paid

B is not correct because FRW 3,600,000 is total amount of rent payable

C is not correct because FRW1,800,000 is the rent payable for the last quarter.

QUESTION 14

The correct answer is B

This matches with double entry rule. A credit is either an increase in income, increase in liability or decrease in asset

A is not correct because a debit could not increase income

C is not correct because debit will increase asset whereas credit will decrease asset

D is not correct because debit does not decrease expense instead it increases them

QUESTION 15

The correct answer is A

The total amount (FRW 12,000,000+ FRW 5,000,000+ FRW 2,500,000) will be recorded on both sides (Debit and Credit side) of the TB. Every transaction will have effect on both debit and credit of the same amount

B is not correct because FRW 12,000,000 is the accrued income that will have also a two-fold effect by Debitting rent and crediting accrued rent

C is not correct because it considers only irrecoverable debts of FRW5,000,000 and depreciation charge of FRW2,500,000

D is not correct because it considers only accrued rent

QUESTION 16

The correct answer is B

Rent expense for the year: FRW 250,000 * 12 = FRW 3,000,000

Prepaid rent expense = FRW 6,200,000 - (FRW 1000,000 - FRW 3,000,000) = FRW 2,200,000

A is not correct because FRW 2,200,000 is not the accrued rent

C is not correct because it did not consider the accrued b/f of FRW 1,000,000, they considered only rent paid. Hence, FRW 6,200,000 - FRW 3,000,000 = FRW 3,200,000

D is not correct because it did not consider the accrued b/f of 1,000,000, i.e FRW 6,200,000 - FRW 3,000,000 = FRW 3,200,000 and it should not be regarded as accrued rent expense

QUESTION 17

The correct answer is C

Normally, a prepaid rent reduces expenses and thus increases profit. Thus, the increase in prepaid rent will be FRW900,000 (FRW 3,200,000 - FRW 2,300,000) which will reduce expenses and increases profit

A is not correct because it has only considered the correct prepaid but ignores the one that was already recorded, though the treatment is correct, but there is FRW 2,300,000 already accounted for, they will adjust only remaining balance of FRW 900,000

B is not correct because adjustments of prepaid expense do not reduce profit

D is not correct because, the FRW 900,000 is an increase not a decrease

QUESTION 18

The correct answer is C

Allowance for the year ended 31 December 2021 recognized as an expense, represent an increase in the allowance for receivable compared to previous year's allowance. Therefore, calculation are as follows: $(40,000,000*5\%) - (28,000,000*1\%) = \text{FRW } 1,720,000$

A is not correct because FRW 280,000 is the allowance for the year ending 31 December 2020 which is equal: $\text{FRW } 28,000,000*1\% = \text{FRW } 280,000$

B is not correct because it does not take into consideration the allowance for receivables brought forward from the previous period i.e $\text{FRW } 40,000,000*5\% = \text{FRW } 2,000,000$

D is not correct because it adds the allowance for the subsequent years with that of previous year $(40,000,000*5\%) - (28,000,000*1\%) = \text{FRW } 2,000,000 + \text{FRW } 280,000 = \text{FRW } 2,280,000$

QUESTION 19

The correct answer is B

See the calculation below:

	A(Wrong)	B(Correct)	C(Wrong)	D(Wrong)
	FRW 000	FRW 000	FRW 000	FRW 000
Opening inventory	1,500	1,500	1,500	1,500

Purchases	900	940	900	900
Carriage inwards	500	500	500	500
Less: Returns outwards	(360)	(360)	(360)	360
Carriage outwards	600			600
Returns inwards	700			
less: Closing inventory	(2,000)	(2,000)	(2,000)	(2,000)
Accounts payable	(1,750)			(1,750)
Cost of sales	90	580	540	110
Gross profit	2,000			

QUESTION 20

The correct answer is D

So if margin = 20% = 0.20:

$$\text{Mark-up} = \frac{0.20}{1 - 0.20} = \frac{0.20}{0.80} = 0.25 = 25\%$$

Substitute Cost = FRW 200,000,000:

$$\text{Sales} = 1.25 \times 200,000,000 = 250,000,000$$

$$\text{Profit} = 250,000,000 - 200,000,000 = \mathbf{50,000,000}$$

$$\text{Margin} = 50,000,000 / 250,000,000 = \mathbf{0.20} = \mathbf{20\%}$$

Margin is exactly **20%**. **Correct.**

A

$$\text{Profit} = 40,000,000 - 200,000,000 = -160,000,000$$

$$\text{Margin} = (-160,000,000) / 40,000,000 = -4.00 = -400\%$$

This is a loss and the margin is not +20%. Wrong.

B

$$\text{Profit} = 240,000,000 - 200,000,000 = \mathbf{40,000,000}$$

$$\text{Margin} = 40,000,000 / 240,000,000 = \mathbf{16.6667\%}$$

Margin is **16.67%**, not 20%. **Wrong.**

C

$$\text{Profit} = 233,333,333 - 200,000,000 = \mathbf{33,333,333}$$

$$\text{Margin} = 33,333,333 / 233,333,333 = \mathbf{14.2857\%}$$

Margin is **14.29%**, not 20%. **Wrong.**

QUESTION 21

The correct answer is A

After correction, sales will decrease by FRW 4,000 and the credit side of the trial balance will reduce by FRW 4,000. Therefore, the total credit side will be less than the debit side by FRW 14,000 i.e $10,000 + 4,000$

B is not correct because after correction, the credit side will be less than debit side by FRW 14,000

C is not correct because it considers difference before taking into account overstated sales

D is not correct because the difference is calculated wrongly by considering over-casting as decrease in sales

QUESTION 22

The correct answer is C

There is no share premium in partnership and thus the share premium cannot be part of a partnership agreement. All other items including salary, interest on loan taken by partners and the proportions in which residual profit is shared can be included in the partnership agreement.

QUESTION 23

The correct answer is D

The amount to be transferred to current accounts is calculated as follows:

	FRW
Antony $(6,000,000 * 3M / 5M)$	3,600,000
Babou $(6,000,000 * 2M / 5M)$	2,400,000

Note that the amount is calculated based on their contributed capital i.e. 3M and 2M respectively

M shown in the table means million

Option A is not correct because it calculates the amount to be transferred to current account using profit appropriation ratios.

Option B is not correct because it calculates the amount to be transferred to current account using profit appropriation ratios and in addition it reverses the amount attributable to partners.

Option C, is also not correct. Though, it correctly calculates the amount based on capital contributed, it reverses the amount attributable to partners.

QUESTION 24

The correct answer is B

The amount for the share of the residual profit is calculated as follows:

	FRW
Antony $(9,000,000 * 2/3)$	6,000,000
Babou $(9,000,000 * 1/3)$	3,000,000

Note that the amount is calculated based on the profit sharing ratios i.e. 2:1

$$\text{Profit to be shared} = \text{FRW } 15,000,000 - 6,000,000 = 9,000,000$$

Option A is not correct because it reverses the ratios and thus the amount attributable to partners.
Option C is not correct because it calculates the amount based on the net profit for the year and not the residual profit.

Option D, is also not correct because it bases calculation on the amount to be transferred to current account and not on the residual profit.

QUESTION 25

The correct answer is D

All the options given in A, B and C are reasons for adjusting figures using extended trial balance.

QUESTION 26

The correct answer is B.

See the calculations below:

Net profit	A	B (Correct)	C	D
	FRW	FRW	FRW	FRW
Sales Revenues	2,700,000	2,700,000	2,700,000	2,700,000
Cost of sales	1,413,000	1,413,000	1,413,000	1,413,000
Gross Profit	1,287,000	1,287,000	1,287,000	1,287,000
Accounts receivable	228,000			
Commission income	90,000	90,000	90,000	
Rental income	63,000	63,000	63,000	90,000
Prepaid Rental income	25,000			25,000
Total incomes	1,693,000	1,440,000	1,440,000	1,402,000
Bank loan interest expense	224,000	224,000	224,000	
Salaries and wages	396,000	396,000	396,000	396,000
Electricity and water	72,000	72,000	72,000	72,000
Insurance expense	405,000	405,000	405,000	405,000
Accrued bill of electricity	17,000		17,000	
Total expenses	1,114,000	1,097,000	1,114,000	873,000
Net profit	579,000	343,000	326,000	529,000

	This is wrong because it includes accounts receivables as an income yet it is an asset. It also includes prepaid income as income yet it is a liability. Accrued electricity was also wrongly included. Therefore, net profit is not correct	Correct	This is wrong because Accrued electricity was also wrongly included. Therefore, net profit is not correct	This is wrong because it includes prepaid income as income yet it is a liability. Therefore, net profit is not correct
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QUESTION 27

The correct answer is C and other options are not correct as calculated below:

Net profit	A	B(C (Correct)	D
Sales Revenues	2,700,000	2,700,000	2,700,000	2,700,000
Cost of sales	1,413,000	1,413,000	1,413,000	1,413,000
Gross Profit	1,287,000	1,287,000	1,287,000	1,287,000
Accounts receivable	228,000			
Commission income	90,000	90,000	90,000	
Rental income	63,000	63,000	63,000	90,000
Prepaid Rental income	25,000			25,000
Total incomes	1,693,000	1,440,000	1,440,000	1,402,000
Bank loan interest expense	224,000	224,000	224,000	
Salaries and wages	396,000	396,000	396,000	396,000
Electricity and water	72,000	72,000	72,000	72,000
Insurance expense	405,000	405,000	405,000	405,000
Accrued bill of electricity	17,000	17,000		
Total expenses	1,114,000	1,114,000	1,097,000	873,000
Net profit	579,000	326,000	343,000	529,000
Net profit Margin	21.44%	12.07%	12.70%	19.59%

<p>This is wrong because the net profit includes accounts receivables as an income yet it is an asset. It also includes prepaid income as income yet it is a liability. Accrued electricity was also wrongly included. Therefore, net profit is not correct</p>	<p>This is wrong because in the net profit, Accrued electricity was also wrongly included. Therefore, net profit is not correct</p>	<p>Correct</p>	<p>This is wrong because the net profit it includes prepaid income as income yet it is a liability. Therefore, net profit is not correct</p>
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A is wrong because the net profit includes accounts receivables as an income yet it is an asset. It also includes prepaid income as income yet it is a liability. Accrued electricity was also wrongly included. Therefore, net profit is not correct

B is wrong because in the net profit, accrued electricity was also wrongly included. Therefore, net profit is not correct

D is wrong because the net profit includes prepaid income as income yet it is a liability. Therefore, net profit is not correct

QUESTION 28

The correct answer is A

The statement of profit or loss matches revenues and expenses of the period

B is not correct because by comparing incomes and expenses, it shows the financial performance of the business for a given period

C is not correct because it includes the wrong answer

D is not correct because A is the correct answer

QUESTION 29

The correct Answer is B as calculated below:

Total assets	A(Wrong)	B (Correct)	C(Wrong)	D(Wrong)
	FRW	FRW	FRW	FRW
Motor vehicle-Carrying amount	2,170,000	2,170,000	2,170,000	2,170,000
Inventory	423,000	423,000	423,000	423,000
Bank	240,000	240,000	240,000	240,000
Cash	360,000	360,000	360,000	360,000
Prepaid Rental income	25,000			
Account receivable	228,000	228,000	228,000	228,000
Allowance for receivables	(12,000)	(12,000)		

Bank overdraft	200,000			200,000
Total assets	3,634,000	3,409,000	3,421,000	3,621,000
	This is wrong because it includes prepaid income and bank overdraft as assets		This is wrong because it includes prepaid income as asset	This is wrong because it includes bank overdraft as asset

QUESTION 30

The correct answer is B

The following table illustrates the calculation of depreciation and the carrying amount using reducing balance method for 4 years i.e. 2018 to 2021.

	2018 FRW	2019 FRW	2020 FRW	2021 FRW
Carrying amount (CA) -At the beginning	3,600,000	2,520,000	1,764,000	1,234,800
Depreciation (30% of CA)	1,080,000	756,000	529,200	370,440
Carrying amount (CA) -At the end	2,520,000	1,764,000	1,234,800	864,360

Given the carrying amount at the end of 2021:

The profit on disposal = Proceeds from disposal – Carrying amount at the end of 2021
 $= \text{FRW } 1,050,000 - \text{FRW } 864,360 = \text{FRW } 185,640$ (profit because the proceeds from disposal exceed the carrying amount).

Option A and C are not correct because FRW 2,550,000 is obtained by taking cost of asset less proceed from disposal

Option D is also not correct because the result is a profit and not a loss.

QUESTION 31

The correct answer is C

The depreciable amount of an asset is the cost of an asset, or other amount substitute for cost, less its residual value.

Option A is not correct because the cost minus the accumulated depreciation is the description of carrying mount

Option B is not correct because the cost minus the carrying amount is the accumulated depreciation

Option D is not correct because the cost divided by the useful life is the depreciation under straight line method assuming the residual value is zero.

QUESTION 32

The correct answer is D

All the statements reflect how we record an acquired non-current asset in the books of accounts using 3 different methods depending on how it is paid for.

QUESTION 33

The correct answer is D

All statements are false

- A is false because assets register is not part of double entry system
- B is false because an asset will be removed from the register when it is sold
- C is false because the asset register is not required for small organizations

QUESTION 34

The correct answer is A

Statements (i) and (ii) are correct about prepayments. The amount of excess of prepayments over accruals does not have any effect on the going concern of an entity.

Other options (B, C and D) include statement (iii) and so they are not correct.

QUESTION 35

The correct answer is C

Current year expense should include any accrual of the current year (Accrued c/f) and exclude any accrual of the previous year (Accrued b/f).

Option A is not correct because it excludes the current year expense not paid (Accrued c/f) which should be included and it includes the previous year expense (Accrued b/f) paid in the current year which should be excluded.

Option B is also not correct because it includes the previous year expense (Accrued b/f) paid in the current year which should be excluded.

Option D is also not correct because C is a correct option.

QUESTION 36

The correct answer is A

	A correct	B wrong	C wrong	D wrong
	FRW	FRW	FRW	FRW
Depreciation charge for motor vehicle	550,000 (5,000,000+6,000,000) *5%	650,000(7,000,000 + 6,000,000) *5%	250,000 (5,000,000 * 5%)	300,000 6,000,000 * 5%)
	Correct. Dpn is calculated as carrying	This is wrong because it uses cost	this is wrong	this is wrong

	amount+acquisition cost)*5%	instead of carrying amount	because it considers only the carrying amount of existing asset	because it considers only the value of acquired motovehicle
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QUESTION 37

The correct answer is C

Because the depreciation charge for the year is an expense which charged to profit/loss account and credit in the accumulated depreciation (Statement of financial position)

A is not correct because it is the reverse

B is not correct because asset will not be credited, rather a separate record will be made in the accumulated depreciation which reflect the decrease in asset

D is not correct because C is there as a correct answer

QUESTION 38

The correct answer is D - Prudence does not allow for understatement of liabilities.

The other options are incorrect. Prudence is a component of neutrality. It does not allow for overstatement or understatement of assets, liabilities, income or expenses.

QUESTION 39

The correct answer is B.

A is not correct because this is the entry to de-recognize the cost of asset

C is not correct because this entry is for the recognition of profit on disposal

D is not correct because this entry is for the recognition of loss on disposal

QUESTION 40

The correct answer is C – The Accruals Concept

Option A is not correct because consistency is about applying same methods and principles from one period to another.

Option B also is not correct because materiality concept states that information is material if its omission or misstatement could influence users of the financial statements.

Option D is not correct since the going concern concept is about whether an entity will continue to operate in the foreseeable future.

QUESTION 41**The correct answer is D**

D includes all the current liabilities provided in question five.

Other option i.e. A,B,C are not correct because the revaluation surplus is part of equity and thus excluded from current liabilities. The remaining are current liabilities in the financial statements.

QUESTION 42**The correct Answer is D**

All other statements are correct

The registered tax payer will not remit the output VAT, rather they will calculate the VAT payable or refund by comparing the output and input VAT

QUESTION 43

The correct answer is D. All options are correct Because the invoice should show clearly all these details.

QUESTION 44**The correct answer is B**

The input VAT suffered on goods or services acquired or imported for entertainment purpose are not recoverable

All other options are not correct because the Input VAT incurred on Goods or services acquired on which loss is expected to be made and Communication expenses incurred specifically for business use are recoverable.

QUESTION 45**The correct answer is D**

All the Tabs provided in this question are used during the VAT declaration.

Since Options A, B and C are incomplete and thus not correct.

QUESTION 46**The correct answer is D**

Both A & C are correct

A) Input VAT is incurred on expenses while Output VAT is collected on turnover: Input VAT is VAT on purchases/expenses and Output VAT is VAT on sales (turnover): This is correct

B) Input VAT is collected on turnover while Output VAT is incurred on expenses, this not correct: Actually Input VAT is incurred on expenses while Output VAT is collected on turnover.

C) The VAT rate is 18% for both input and output VAT this is also correct

QUESTION 47

The correct answer is D. All the statements are true

QUESTION 48

The correct answer is C.

VAT is administered by RRA

A is not correct because MINECOFIN oversees the macro-economic aspects in the public financial management and can not enter the administration of VAT. This is mandated and decentralized to RRA level
B is not correct because RDB is responsible for company registration and does not have the mandate to administer VAT

D is not correct because there is correct answer which is A

QUESTION 49

The correct answer is B

15 November 2021 Article 25 of the VAT law states that the VAT shall be declared Within fifteen (15) days after the end of the period of the value added tax.

All other options are not correct because the law determine period to declare and pay VAT

QUESTION 50

The correct answer is B

10% of unpaid tax due plus 1.5% interest on monthly basis

A is not correct because an administrative fine of FRW500,000 is charged for non-registration of VAT.

C Is not correct because 100% of the amount of VAT for the invoice or on the transaction is charged in case of the incorrect issuance of a VAT invoice resulting in a decrease in the amount of VAT payable or in an increase of the VAT input credit or in the event of the failure to issue a VAT invoice

D is not correct because A and C are wrong options

End of Marking Guide and Model Answers