

**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATIONS**

S2.1 PREPARATION OF BASIC ACCOUNTS

DATE: WEDNESDAY, 26 NOVEMBER 2025

INSTRUCTIONS:

1. Time allowed: **2 hours and 30 minutes**
2. This examination has **one** section only: **Section A**
3. Section A has **50 compulsory** multiple-choice questions equal to **2 marks** each.
4. The question paper should not be taken out of the examination room.

SECTION A

QUESTION ONE

Which of the following statements is/are true?

- A Business transactions are captured in books of prime entry before recording them in the source documents.
- B Purchase invoice is recorded in purchase daybook.
- C Notes and coins paid and received are recorded in petty cash book, summarized, and posted in the General ledger.
- D Both B&C.

(2 Marks)

QUESTION TWO

Which of the following statements is/are true?

- A Accounting records all transactions and events which are either financial or non-financial in nature
- B Purchases made from Bateta for cash should be debited to Bateta
- C The system of recording transaction on the basis of their two-fold effect is called double entry system
- D The balance of an account is always known by the lower side

(2 Marks)

QUESTION THREE

In the process of recording financial transactions, the following fall under the category of books of prime entry:

- (i) Sales daybook
- (ii) The Journal
- (iii) Payables ledger (Memorandum)
- (iv) Purchases daybook

- A (i), (ii) and (iii)
- B (i) and (ii) only
- C (i) and (iv) only
- D (i), (ii) and (iv)

(2 Marks)

QUESTION FOUR

Mr Ken started business of hair salon where he invested FRW 2,000,000. He bought different equipment to use in their business. Ken's partner wants to use the equipments for their own hair treatment but Ken is not happy for that. Ken tells their partner to separate business equipment and private assets. **Which accounting concept are they referring to?**

- A Business entity concept

- B Double entry concept
- C Separation of business concept
- D Business matching concept

(2 Marks)

QUESTION FIVE

A business has: Cash FRW 48,000, account payable FRW 33,000, office equipment FRW 21,000, owner equity FRW 77,000. Assume there is no other balances except receivable, **what is the value of receivables?**

- A FRW 25,000
- B FRW 8,000
- C FRW 41,000
- D FRW 36,000

(2 Marks)

QUESTION SIX

During the year ending 31st December 201, the company's liabilities have decreased by FRW 100,000 and its assets increased by FRW 80,000. **This means that equity must:**

- A Decrease by FRW 180,000
- B Increase by FRW 180,000
- C Decrease by FRW 20,000
- D Increase by FRW 20,000

(2 Marks)

QUESTION SEVEN

All of the following are revenue expenditures except:

- A The payment of salary for employees
- B The payment for expanding the production facility
- C The payment of stationary expense
- D Amount paid for rent of the show room

(2 Marks)

QUESTION EIGHT

At 31 December 2021, the following matters require inclusion in a company's financial statements:

- i) On 1 January 2021 the company made a loan of FRW 12 million to an employee, repayable on 30 June 2022, charging interest at 2% per year in arrears. On the due date the employee repaid the loan and paid the whole of the interest due on the loan to that date. Loan to employees are classified as short-term investment.
- ii) The company paid insurance of FRW 9 million in 2021, covering the year ending 31 August 2022.

iii) In January 2022 the company received rent from a tenant FRW 4 million covering the six months to 31 December 2021. For these items,

What total figures should be included in the company's statement of financial position at 31 December 2021?

Receivables and prepayments Payables and accruals

	FRW '000'	FRW '000'
A	22,000	240
B	22,240	Nil
C	10,240	Nil
D	16,240	6,000

(2 Marks)

QUESTION NINE

A non-current asset was acquired on 1st January 2021 at cost of FRW 10,000,000 with expected useful life of 5 years and residual value of FRW2,000,000. **What is the depreciable amount?**

- A FW1,600,000
- B FRW 2,000,000
- C FRW Nil
- D FRW 8,000,000

(2 Marks)

QUESTION 10

The following statements are correct about depreciation, except

- A Depreciation is not a cash expense
- B Depreciation is a systematic allocation of depreciable amount of an asset over its useful life
- C Depreciation is an amount of fund set aside for future replacement of non-current assets
- D The charge for depreciation is an expense for the accounting period

(2 Marks)

QUESTION 11

Mr James paid a total rent of FRW 32Million for the year ended 30 June 2022. However, the yearly rent is FRW30Million? **The accounting entry for the amount paid would be:**

- A Dr. Cash: FRW32 Million, Cr. Rent: FRW 32Million
- B Dr. Rent: FRW 30Million, Dr. Prepaid rent: FRW 2Million and Cr. Cash FRW 32Million
- C Dr. Rent: FRW 32Million, Cr. Prepaid rent: FRW 2Million and Cr. Cash FRW 30Million
- D Dr. Rent FRW 32Million, Cr, Cash: FRW 32Million

(2 Marks)

QUESTION 12

Which of the following statements is FALSE about accruals and prepayment?

- A Accrued incomes are recorded as current assets in the balance sheet
- B Prepaid expenses are recorded as current assets in the balance sheet
- C Prepaid Incomes are recorded as current assets in the balance sheet
- D Accrued expenses are recorded as current liabilities in the balance sheet

(2 Marks)

QUESTION 13

On 1 January 2022, Mr Ken opened a trading business and monthly rent of FRW 600,000 is paid on quarterly basis. She is preparing her accounts for the year ending 30 June 2022.

The rent paid during the year were as follows:

Date	FRW
31 March 2022	2,400,000
30 June 2022	1,800,000
Total	4,200,000

What is the prepaid rent for the year ending 30 June 2022?

- A FRW 4,200,000
- B FRW 3,600,000
- C FRW 1,800,000
- D FRW 600,000

(2 Marks)

QUESTION 14

The double entry rules provide that for every transaction; there should be one or more accounts debited and one or more accounts credited. **This matches with which of the statement?**

- A. A debit is either an increase in asset, increase in income and decrease in liability
- B. A credit is either an increase in income, increase in liability or decrease in asset
- C. Both debit and credit have the same effect on asset
- D. Debit is either an increase in asset or decrease in expense

(2 Marks)

QUESTION 15

Mageza was preparing his extended trial balance and he has realized that in his 8-column trial balance, he recorded only 3 post trial balance adjustments. There was unadjusted accrued rent of FRW 12,000,000, irrecoverable debts of FRW5,000,000 and depreciation charge of FRW2,500,000. What is the total value to be recorded on the credit side column of the extended trial balance

- A FRW 19,500,000
- B FRW 12,000,000
- C FRW 7,500,000
- D FRW 2,500,000

(2 Marks)

QUESTION 16

As at 31 December 2020, Mr Ben accounts showed an accrued rent payable of FRW 1,000,000. During the year ending 31 December 2021, the rent amounting to FRW6,200,000 was paid. The monthly payment for rent was FRW250,000. **At the end of the year 31 December 2021, Mr Ben rent account balance represent:**

- A Accrued rent expense of FRW 2,200,000
- B Prepaid rent expense of FRW 2,200,000
- C Prepaid rent expense of FRW 3,200,000
- D Accrued rent expense of FRW 3,200,000

(2 Marks)

QUESTION 17

Mr Glee prepared the draft final accounts for the year ending 31 December 2021 and has adjusted for prepaid rent of FRW2,300,000 which should have been FRW3,200,000. What will be the effect on the net profit when this error is corrected?

- A Net profit will increase by FRW 3,200,000
- B Net profit will decrease by FRW 3,200,000
- C Net profit will increase by FRW 900,000
- D Net profit will decrease by FRW 900,000

(2 Marks)

QUESTION 18

On 31 December 2020, Kigenza has a total receivable amounting to FRW 28,000,000. They believe that about 1% of these balances will not be paid and plans to make an appropriate allowance for the year ended 31 December 2020.

In the subsequent year, on 31 December 2021, their receivables balances were FRW 40,000,000. They concluded that an allowance of 5% needs to be made at the end of the year.

What is the amount of allowance for receivables that would be recognized as an expense for the year ending 31 December 2021?

- A FRW 280,000
- B FRW 2,000,000
- C FRW 1,720,000
- D FRW 2,280,000

(2 Marks)

QUESTION 19

The company has provided you with the following information:

	FRW “000”
Opening inventory	1,500
Accounts payable	1,750
Closing inventory	2,000
Gross profit	2,000
Purchases	900
Carriage inwards	500
Carriage outwards	600
Returns inwards	700
Returns outwards	360

What was the cost of sales if there were unrecorded purchases that represent 2% of the gross profit?

- A FRW 90,000
- B FRW 580,000
- C FRW 540,000
- D FRW 110,000

(2 Marks)

QUESTION 20

Kenpol is business trader in Kayonza district. He has calculated his cost of sales to be FRW 200,000,000 for the month of September 2022. The profit margin on goods sold was 20%. What is the sales figures of Kenpol for the month of September 2022?

- A FRW 40,000,000
- B FRW 240,000,000
- C FRW 233,333,333
- D FRW 250,000,000

(2 Marks)

QUESTION 21

The trial balance M Kelly show a difference of FRW10,000 (debit side exceeds credit side). While verifying the total sales register, they found that the total sales is over-cast by FRW 4,000. **After correction in sales register what would be the difference in their trial balance.**

- A Debit side exceeds Credit Side by FRW 14,000
- B Credit side exceeds Debit side by FRW14,000
- C Debit side exceeds Credit Side by FRW 10,000
- D Debit side exceeds Credit side by FRW 6,000

(2 Marks)

QUESTION 22

A partnership agreement is likely to specify the following except:

- A Any salary to be paid to partners.
- B Interest to be paid on any loans made to the partnership by a partner.
- C Share premium allocated to partners.
- D The proportion in which any residual profit is to be allocated between the partners.

(2 Marks)

QUESTION 23

The following information will be used on question 21& question 22.

A&B partnership has two partners Antony and Babou who share profit in the ratio of 2:1 respectively. The two partners contributed a capital of FRW 3,000,000 and FRW 2,000,000 for Antony and Babou respectively. The partnership made a profit of FRW 15,000,000 for the year ended 30 June 2022. Partners agreed to transfer FRW 6,000,000 of the profit in their current accounts based on their capital contributed and share the residual profit in their profit-sharing ratios. There are no interests or salary to be added/deducted from the profit realized.

What amount will be transferred to the current accounts of partners?

- A FRW 4,000,000 for Antony and FRW 2,000,000 for Babou
- B FRW 2,000,000 for Antony and FRW 4,000,000 for Babou
- C FRW 2,400,000 for Antony and FRW 3,600,000 for Babou
- D FRW 3,600,000 for Antony and FRW 2,400,000 for Babou

(2 Marks)

QUESTION 24

Based on the information in Question 21, how will the partners share the residual profit?

- A FRW 3,000,000 for Antony and FRW 6,000,000 for Babou
- B FRW 6,000,000 for Antony and FRW 3,000,000 for Babou
- C FRW 10,000,000 for Antony and FRW 5,000,000 for Babou
- D FRW 4,000,000 for Antony and FRW 2,000,000 for Babou

(2 Marks)

QUESTION 25

The extended trial balance is used to adjust trial balance figures for:

- A Accruals and prepayments
- B Errors
- C Irrecoverable debts written off
- D All the above

(2 Marks)

QUESTION 26**Use the information below to answer question 26-29 i.e 26,27,28,29**

You are provided with the following trial balance of Mr Ibou for the year ending 30 December 2021

Items	FRW	FRW
Sales Revenues		2,700,000
Cost of sales	1,413,000	
Motor vehicle-Carrying amount	2,170,000	
Inventory	423,000	
Bank	240,000	
Cash	360,000	
Salaries and wages	396,000	
Accounts receivable	228,000	
Bank loan interest expense	224,000	
Accounts payable		45,000
Commission income		90,000
Electricity and water	72,000	
Rent income		63,000
Insurance expense	405,000	
Allowance for receivables		12,000
Prepaid Rental income		25,000
Accrued bill of electricity		17,000
Loan from BPRN		2,779,000
Overdrawn Bank account		200,000
	5,931,000	5,931,000

What is the net profit for the year ending 30 December 2021?

- A FRW579,000.
- B FRW343,000.
- C FRW326,000.
- D FRW529,000.

(2 Marks)

QUESTION 27

From the information in question 26, what is the net profit margin (Round up to 2 decimals)?

- A 21.44%.
- B 12.07%.
- C 12.70%
- D 19.59%

(2 Marks)

QUESTION 28

Which of the following statements is/are true about the statement of profit or loss?

- A It matches revenues and expenses for the period ended
- B By comparing incomes and expenses, it shows the financial position of the business as at a given date
- C Both A&B
- D None of the above

(2 Marks)

QUESTION 29

From the information in question 26, what is the value of total assets?

- A FRW 3,634,000
- B FRW 3,409,000
- C FRW 3,421,000
- D FRW 3,621,000

(2 Marks)

QUESTION 30

Mahoro acquired a motor vehicle on 01 January 2018 at FRW 3,600,000. The motor vehicle re depreciated at 30% reducing balance. On 31 December 2021, the motor vehicle was disposed of for FRW 1,050,000. **The amount reported in profit or loss from disposal for the year ended 31 December 2021 was?**

- A FRW 2,550,000(Loss)
- B FRW 185,640 (Profit)
- C FRW 2,550,000 (Profit)
- D FRW 185,640 (Loss)

(2 Marks)

QUESTION 31

A depreciable amount of an asset is:

- A Its cost minus accumulated depreciation
- B Its cost minus carrying amount
- C Its cost or other amount substitute for its cost minus residual value
- D Its cost divided by the useful life

(2 Marks)

QUESTION 32

How do we record an acquired non-current asset in the books of accounts?

- A The non-current asset acquired on credit is debited as non-current asset and credited as loan repayable

- B When a non-current asset is acquired by cheque, it is debited as non-current asset and credited at bank account
- C When a non-current is acquired through lease it is debited as non-current asset and credited as Lease payable but the leasing company retains the ownership
- D All the above

(2 Marks)

QUESTION 33

Which of the following statements is/are false

- A Non-current assets are part of double entry system because they are used to record the acquisition of a non-current asset
- B Assets should be removed from the register when they are fully depreciated
- C Asset register must be prepared for any organization irrespective of the size
- D All statements are false

(2 Marks)

QUESTION 34

Which of the following statements about prepayments expenses are correct?

- i) Prepayments represent expenses that have been paid in advance.
- ii) Prepayments have an effect on both the statement of profit or loss and the statement of financial position.
- iii) If prepayments exceed accruals, the business does not have a going concern.

- A (i) and (ii) only
- B (i) and (iii) only
- C (ii) and (iii) only
- D (i), (ii) and (iii)

(2 Marks)

QUESTION 35

Which of the following correctly calculates the expense to be included in the profit and loss account taking into account accruals?

- A Accrued b/f + Current expense amount paid – Accrued expense c/f
- B Current expense amount paid+ Accrued b/f +Accrued c/f
- C Current expense amount paid –Accrued b/f + Accrued c/f
- D None of the above

(2 Marks)

QUESTION 36

Mageruka, had motor vehicle that costed FRW 7,000,000 with the carrying amount of FRW 5,000,000 as at 1 January 2021. During the year she acquired another motor vehicle of FRW 6,000,000. Motor vehicle is depreciated using reducing balance method at 5% per annum (full year's depreciation in the year of acquisition). **what is the depreciation charge for the motor vehicle? for the year ending 31 December 2022?**

- A FRW 550,000
- B FRW 650,000
- C FRW 250,000
- D FRW 300,000

(2 Marks)

QUESTION 37

How the depreciation charge for the year is recorded in the books of account??

- A Debit Accumulated Depreciation, Credit Depreciation expense
- B Debit Depreciation; Credit asset
- C Debit Depreciation expense; Credit Accumulated Depreciation
- D None of the above

(2 Marks)

QUESTION 38

Which of the following statements about prudence is correct?

- A Prudence requires assets to be carried at their lowest possible valuation.
- B When prudence is applied, income is not recognized until the cash has been received.
- C A prudent decision will mean lower expenditure.
- D Prudence does not allow for understatement of liabilities.

(2 Marks)

QUESTION 39

In case of disposal of a non-current, which of the following entries will recognize the proceeds from disposal?

- A Debit disposal of non-current assets a/c; Credit non-current a/c
- B Debit bank a/c; Credit disposal of non-current assets a/c
- C Debit disposal of non-current assets a/c; Credit P&L a/c
- D Debit P&L a/c; Credit disposal of non-current assets a/c

(2 Marks)

QUESTION 40

Which accounting concept states that transactions are recorded as they occur rather than when money is received or paid?

- A The consistency concept
- B The materiality concept
- C The accruals concept
- D The going concern concept

(2 Marks)

QUESTION 41

Basing on your knowledge of the elements of financial statements, **which of the following items may appear as current liabilities in a company's statement of financial position?**

- i) Revaluation surplus (Reserve)
- ii) Loan due for repayment within one year
- iii) Taxation (Payable)
- iv) Interest expense accrued

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

(2 Marks)

QUESTION 42

All the following statements about VAT are correct except;

- A VAT is a tax that is levied on expenditure
- B Compulsory registration VAT is required when the turnover from the taxable supplies, excluding VAT, exceeds FRW20 million in the previous fiscal year
- C VAT registration is done at Rwanda Revenue Authority (RRA)
- D On quarterly basis, the registered tax payer will remit output VAT to Rwanda Revenue Authority

(2 Marks)

QUESTION 43

All the following should be indicated on the tax invoice issued by EBM, except:

- A. The Word “Tax Invoice “in a prominent place
- B. Names, address and VAT registration number of the supplier
- C. Quantity or volume of the goods or services supplied
- D. All the above

(2 Marks)

QUESTION 44

Which of the following is an example of irrecoverable input VAT?

- A Goods or services acquired on which loss is expected to be made
- B Goods or services acquired or imported for entertainment purpose
- C Communication expenses incurred specifically for business use
- D All the above

(2 Marks)

QUESTION 45

During the VAT declaration process, the following Tabs are used:

- (i) Purchase Tab
- (ii) Sales Tab
- (iii)VAT importation Tab
- (iv)VAT retained Tab

A. (i) and (ii) only

B. (i), (ii), and (iii)

C. (i), (ii) and (iv) only

D. (i), (ii), (iii) and (iv)

(2 Marks)

QUESTION 46

Which of the following statements about Input VAT and output VAT is/are correct?

- A. Input VAT is incurred on expenses while Output VAT is collected on turnover
- B. Input VAT is collected on turnover while Output VAT is incurred on expenses
- C. The VAT rate is 18% for both input and output VAT
- D. Both A&C

(2 Marks)

QUESTION 47

Which of the following statement is true/are true about VAT Exemptions?

- A Zero rated supplies are those supplies on which VAT is charged at the rate of 0%
- B Exempt supplies include goods and services related to health, precious metals, educational materials and services
- C Only standard rated goods and services will be charged VAT
- D All the above

(2 Marks)

QUESTION 48

Who administers VAT?

- A MINECOFIN
- B RDB
- C RRA
- D None of the above

(2 Marks)

QUESTION 49

Moonla is registered for VAT with a turnover of FRW 60 million and wishes to declare VAT. **When will output VAT and input VAT for the supplies related to the Month of October 2021 be declared and paid?**

- A 15 October 2021
- B 15 November 2021
- C 15 March 2022
- D 15 December 2021

(2 Marks)

QUESTION 50

Which of the following is the penalty charged if your business has declared VAT less than due amount?

- A FRW 500,000
- B 10% of unpaid tax due plus 1.5% interest on monthly basis
- C 100% of the amount of VAT for the invoice or on the transaction
- D All the above

(2 Marks)

End of question paper