CERTIFIED ACCOUNTING TECHNICIAN

STAGE 3 EXAMINATIONS

S3.1: FINANCIAL ACCOUNTING

DATE: MONDAY 24, NOVEMBER 2025

MARKING GUIDE AND MODEL ANSWERS

SECTION A:

Marking guide

Question	Answer
1	**B**
2	**D**
3	**B**
4	**A**
5	**B**
6	**B**
7	**C**
8	**A**
9	**C**
10	**C**

Section A-Marks allocation	**Marks**
2 marks for each collect answer	2
Total marks for this section	**20**

Model Answer

QUESTION ONE

The Correct Answer is B
Financial accounting is mainly concerned with Reporting the financial performance and financial position of the business
A and C are not correct because Analysis of data to provide information as a basis for managerial action and Providing information towards the more efficient running of the business is the main objective of management accounting

QUESTION TWO

The Correct Answer is D.
All statements are correct. IFRS Standards are not intended to be applied to immaterial items, nor are they retrospective. For clarity, each individual standard lays out its scope at the beginning of the standard

QUESTION THREE

The Correct Answer is B.

Fair value is the amount you'd receive to sell an asset in an orderly transaction between market participants at the measurement date.

Others are not correct because
A. Historical cost is an original purchase price when the asset was acquired; it doesn't reflect current market conditions or an exit price.

C. **Current cost** is the amount needed today to acquire an equivalent asset (an entry price), not what you'd receive to sell it.

- **D. Value in use** is the present value of asset-specific future cash flows from using (and ultimately disposing of) the asset—entity-specific, not a market-based exit price.

QUESTION FOUR

The Correct Answer is A

The profit will decrease by FRW 150 million. This is an adjusting event, as it provides evidence of a condition that existed at the reporting date – ie that the customer's debt was irrecoverable. The debt should be written off, and therefore net profit is reduced by FRW150,000,000.
B is not correct because ii) is non-adjusting, as it does not affect the situation at the reporting date and therefore has no impact on profit at the reporting date. This event should simply be disclosed in the financial statements
C is not correct because it combines the 2 events, yet the ii) is a no-adjusting event
D is not correct because event i) is an adjusting event which affect the profit for the year

QUESTION FIVE

Correct answer: B. Adjusting event: recognise impairment/adjust receivables

The bankruptcy confirms a condition (the customer's financial difficulties) that already existed at the reporting date, so Entity A must adjust the receivable (e.g., recognise impairment).

- **A. non-adjusting event: disclose only** is incorrect because the event provides evidence of conditions existing at 31 Dec 20X4; disclosure alone is insufficient.
- **C. Neither** is incorrect; it's clearly relevant to measurement of receivables at year-end.
- **D. Adjusting but disclose only** is incorrect; adjusting events require **recognition/ measurement adjustments**, not disclosure alone (though disclosure may also be appropriate).

QUESTION SIX

The Correct Answer is B

Dr. Share premium: FRW 500 M; Dr. Retained Earnings: FRW 1,000M; Cr share Capital: FRW 1,500 M
'3 for 2' bonus issue means 3 new shares for every 2 already held. Thus, the new issued share capital = FRW 1,000M*3/2=FRW 1,500M. and the issue of bonus share is like reclassification of some of its reserves as share capital. In this case, this will be issued from the existing share premium and retained earnings.
A is not correct because the bonus issue doe not result into cash. It is simply reclassification of some of its reserves as share capital.

C is not correct because it is calculated as '2 for 3' bonus issue means 2 new shares for every 3 already held. Thus, the new issued share capital would be = FRW 1,000M*2/3=FRW 667M. Then FRW 500M will be from share premium and 167 will be from retained earnings.

QUESTION SEVEN

The Correct Answer is C Recognize a liability (deferred revenue) for $2,000,000

This is a non-exchange transfer with a *condition* (return obligation if the clinic isn't built). Until the performance condition is satisfied, the inflow is a liability; revenue is recognised as (or when) the condition is fulfilled.

- **A**. **Revenue now** is incorrect: immediate revenue applies to transfers with restrictions only, not conditions that create a present obligation.
- **B. Equity** Public sector net assets/equity doesn't capture conditional grants as direct equity entries.
- **D. Disclosure only** is incorrect: recognition is required; the correct recognition is a liability, not mere note disclosure

QUESTION EIGHT

The Correct Answer is A

The receivables collection period measures the time taken for customers to pay their debts. If a company allows customers to take longer to pay their debts, then the receivables collection period will increase. The other ratios are unlikely to be affected by this change
B is not correct because the customers payment period does not exist as ratio. We collect from customers and no payment to them
C is not correct because the Interest cover is a measure of how many times PBIT covers the interest the business must pay
D is not correct because The payables collection period measures the time taken for the company to pay suppliers

QUESTION NINE

The Correct Answer is C
The statements of A and B are all true. Accounting system is a one that takes raw data on transactions as its input, processes this, and then produces many outputs to meet the information needs of stakeholders. An effective accounting system should provide information at the required time
A is not the correct answer because it excludes B
B is not a correct answer because it excludes A
D is not correct because C is true

QUESTION 10

The Correct Answer is C.

For the year ending 30 December 2023, the provision account already has a balance brought forward of
FRW10,000,000 which was recognized in the previous year ending 31 December 2022. So we only need to account for the increase in the provision which FRW 50,000,000-FRW 10,000,000=FRW 40,000,000

A is not correct because FRW 10,000,000 is the provision for the year ending 31 December 2022

B is not correct because FRW 50,000,000 is the total provision that will be recognized in the statement of financial position as the non-current liability (it is uncertain when the amount relating to the provision will be paid, or indeed if it definitely will be paid, it is classified as a non-current liability (this is double counting of the provision)

D is not correct because FRW 60,000,000 is the total of provision for the previous year and the accumulated provision a t ehe end of the current year (this is triple counting of the provision)

SECTION B:

QUESTION 11
Marking guide

	Maximum marks
Award 2 marks for discussing each of the 5 steps in line with IFRS15. (Award 1 mark for each step if the student has only listed the steps)	10 Marks
Total	**10 Marks**

Model Answers

Normally, the key principle of IFRS 15-*Revenue from Contracts with Customers*, is that revenue is recognized to depict the transfer of promised goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services.
Thus, Packson&Sons LTD would account for this revenue using the five (5) step model as follows:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

1) Identify the contract(s) with a customer

A customer placed an order for a sofa. This represents a contract to supply the furniture-sofa between Packson&Sons Ltd and the customer.

2) Identify the performance obligations in the contract

There is one performance obligation, the delivery of a satisfactory furniture-sofa by Packson&Sons Ltd.

3) Determine the transaction price

This is the price agreed as per the order, in this case it is FRW 656,000. Note that VAT is not included since transaction price as defined by IFRS 15 does not include amounts collected on behalf of third parties.

4) Allocate the transaction price to the performance obligations in the contract

There is one performance obligation, therefore the full transaction price is allocated to the performance of the obligation of the delivery of the furniture-sofa.

5) Recognise revenue when (or as) the entity satisfies a performance obligation

Since the customer has signed a delivery note to confirm acceptance of the goods as satisfactory, this is evidence that Packson&Sons LTD has fulfilled its performance obligation and can therefore recognize RWF656,000 in January 2023. Remember that the timing of payment by the customer is irrelevant to when the revenue is recognized.

QUESTION 12

Model Answer

Award 1 mark for correct depreciation of Buildings	1
Award 1 mark for correct depreciation of Plant & Machinery (aggregated	1
Award 1 mark for correct depreciation of Machine 1	1
Award 1 mark for correct depreciation of Machine 2	1
Award 2 marks for correct depreciation of Motor Vehicles	2
Award 1 mark for correct closing balance (cost) 1	1
Award 1 mark for correct closing Accumulated depreciation (cost) 1	1
Award 1 mark for correct closing carrying amount	1
Award 1 mark for the overall presentation of the disclosure	1
	10

Model Answer

Description	Land	Buildings	Plant & Machinery	Motor Vehicles	Total
Opening cost (1 Jan 2025)	240,000	500,000	300,000	220,000	1,260,000
Purchase during the year	–	–	70,000	–	70,000
Disposal – cost				(50,000)	(50,000)
Closing balance cost	240,000	500,000	370,000	170,000	1,280,000
Accumulated depreciation as at 1 Jan 2025	–	(150,000)	(120,000)	(132,000)	(402,000)
Depreciation expense (2025)	–	(17,500)	(47,000)	(19,500)	(84,000)
Disposal – accumulated depreciation	–	–	–	40,000	40,000
Closing Accumulated depreciation as at 31 Dec 2025		(167,500)	(167,000)	(111,500)	(446,000)
Closing carrying amount	240,000	332,500	203,000	58,500	834,000

Workings Depreciations

Assets	NBV	Rate	Time	Depreciations
Buildings	**(500,000-150,000) = 350,000**	**5%**	**12 months**	**(350,000*5%) = 17,500**
Plant & Machinery (aggregated)	(300,000-120,000)	20%	12 months	(180,000*20%) = 36,000
Machine 1	40,000	20%	12 months	(40,000*20%) = 8,000
Machine 2	30,000	20%	6 months	(30,000*20%*6/12) = 3,000
Total Plant & Machinery				**(36,000+8,000+3,000) = 47,000**
Motor Vehicles	**(220,000-50,000) – (132,000-40,000) =**	**25%**	**12 months**	**(78,000*25%) = 19,500**

SECTION C:

QUESTION 13

Item	Maximum marks
Sub-section a)-Calculation of good will	
Consideration transferred	0.5
Non-Controlling Interest (NCI)	1
Net assets acquired:	
Share capital	0.5
Share premium	0.5
Retained earnings at acquisition	0.5
Total Net assets acquired:	1.0
Goodwill at acquisition	1.0
Impairments loss (20%)	1.0
Goodwill at the end (SOFP)	1.0
Sub-total	**7 marks**
Sub-section b)-Consolidated SOFP	
Assets	
Award 2 marks for the calculation of group structure	2.0
Non-current assets	
Property plant and Equipment	0.5
Investment in MINI LTD	
Good will (As calculated in a)	
Current assets	0.5
TOTAL ASSETS	0.5
Equity and liabilities Equity	
Share capital (FRW1 ordinary shares)	1.0
Share premium	1.0

Retained earnings (W2)	3
Non-controllling interest(W3)	3
Total Equity	
Non-current liabilities	0.5
Current Liabilities	0.5
TOTAL EQUITY AND LIABILITIES	0.5
Sub-total	**13 marks**
Total	**20 marks**

Model Answers

a) Calculation of value of Goodwill

Goodwill	**(FRW "000")**	**(FRW "000")**
Consideration transferred		1,280
Non-Controlling Interest-NCI (1000+200+800)*40%		800
Net assets acquired:		
Share capital	1,000	
Share premium	200	
Retained earnings at acquisition	800	
Total Net assets acquired:		**2,000**
Goodwill at acquisition		**80**
Impairments loss (20%)		16
Goodwill at the end (SOFP)		**64**

b) Consolidated Statements of financial position as at 31 December 2022

	Amounts "000"
Assets	
Non-current assets	
Property plant and Equipment (7,600 +3040)	10,640
Good will (W2)	64
Current assets (2,280+920)	3,200
TOTAL ASSETS	**13,904**
Equity and liabilities Equity	
Share capital (FRW1 ordinary shares) (Note 2)	4,000
Share premium (Note 2**)**	1,000

Retained earnings (W3)	4,108
Non-controllling interest(W4)	1,126
Total Equity	**10,234**
Non-current liabilities (**1,300+1,300)**	1,800
Current Liabilities (**1,240+630)**	1,870
TOTAL EQUITY AND LIABILITIES	**13,904**

Notes:

1. Investment in MINI LTD is not consolidatd because it reflects the fair of consideration transferred and it is used in the calculation of Goodwill
2. The share Capital and share premium of MINI LTD are not consolidated because they are part of the total net assets acquired and form part of Goodwill calculation

Workings

1. Group Structure	
Acquired Shares in MINI LTD BY MEGA LTD	600,000
Share Capital of MKONI LTD	1,000,000
Acquired percentage (600,000/1,000,000)	60%
Non-controlling interest(100%-60%)	40%

2. ***Retained earnings***	**(FRW "000")**
MEGA Retained earnings	3,620
MEGA's share of post acquistion retained earnings in MINI Ltd (1,630 -800)	498
Less impairment loss share (60%*16)	10
Group retained earnings	**4,108**

3. Non-controlling interests	**(FRW "000")**
NCI at acquisition (1000+200+800)*40%	800
NCI share of post-acquisition retained earnings in MINI (1,630-800)X 40%)	332
Less: NCI share of impairment loss ((W2) 40%*16)	6
Non-controlling Interest at end	**1,126**

QUESTION 14
Marking guide

	Maximum marks
Sub-section a)	
Explaining the 5 key elements of complete set of financial statements *(award 1 Mark for each correct explanation). If the candidate has only*	5

listed the elements, award 0.5 marks for each correct element to the maximum of 5 (which gives only 2.5 Marks)	
Sub-section b)	**5 Marks**
Revenue	0.5
Cost of sales	0.5
Gross Profit	0.5
Other income	0.5
Total incomes	0.5
Distribution costs	0.5
Administrative expenses	0.5
Other expenses	0.5
Finance cost	0.5
Total expenses	0.5
Profit for the year	0.5
Other comprehensive income:	0.5
Gains on revaluation of land and buildings (1,100-850)	0.5
Total comprehensive incomes	0.5
Sub-total	**7 Marks**
Land and Buildings (1200-350) + 250	0.5
Plant and equipment(1400-280)	0.5
Total non current asset	0.5
Current assets	
Inventory	0.5
Prepaid bill	0.5
Cash at bank	0.5
Total Current Assets	0.5
Total assets	0.5
Equity	
Share capital	0.5
Revaluation reserve	0.5
Profit for the year	0.5
Total Equity	0.5
Liabilities	
Accrued marketing expenses	0.5
Accrued interest	0.5
Total Liabilities	0.5
Total Equity and Libailites	0.5
Sub-total	**8 Marks**
Total	**20 Marks**

Model Answers

a) According to IAS1: A complete set of financial statements includes: [IAS 1.10]

1. a statement of financial position (balance sheet) at the end of the period: This is a statement which shows the financial position of the business as at a given date. It shows assets, equity and liabilities of the business
2. a statement of profit or loss and other comprehensive income for the period (presented as a single statement, or by presenting the profit or loss section in a separate statement of profit or loss, immediately followed by a statement presenting comprehensive income beginning with profit or loss): This is a statement that shows the financial performance of the business for a given period of time. It shows incomes and expenses for the specific period
3. a statement of changes in equity for the period: This statement shows the changes in equity components like retained earnings, reserves, share premium, etc
4. a statement of cash flows for the period: This statement shows the changes in financial position. It reflects cash inflows and cash outflows for the period
5. notes, comprising a summary of significant accounting policies and other explanatory notes

b)

i) Statement of Profit or Loss and other comprehensive income of DANKEH LTD for the year ending 31 December 2022

Items	**Dr. FRW "000"**
Revenue	3,820
Cost of sales (1800-750) Note 1:	1,050
Gross Profit	**2,770**
Other income	1,100
Total incomes	**3,870**
Distribution costs(700+200)	900
Administrative expenses (620+280+350)	1,250
Other expenses(400-300)	100
Finance cost(300+120)	420
Total expenses	**2,670**
Profit for the year	**1,200**
Other comprehensive income:	
Gains on revaluation of land and buildings (1,100-850)	**250**
Total comprehensive incomes	**1,450**

Note 1: As per IAS 2, Inventories are required to be stated at the lower of cost and net realisable value (NRV). [IAS 2.9]

Workings	
W 1 Depreciation	

Plant and equipment=20%*1400=	280
land and building	350

W2 Revaluation of Land and Buildings	
Carrying amoung (1200-250)	850
Revalued amount	1100
Gains on revaluation of land and buildings (1,100-850)	250

ii)
Statement of Financial Position of DANKEH Ltd as at 31 December 2022

Items	**Dr. FRW "000"**
Land and Buildings(1200-350)+250	1,100
Plant and equipment(1400-280)	1,120
Total non current asset	**2,220**
Current assets	
Inventory	750
Prepaid bill	300
Cash at bank	500
Total Current Assets	**1,550**
Total assets	**3,770**
Equity	
Share capital	2,000
Revaluation reserve	250
Profit for the year	1,200
Total Equity	**3,450**
Liabilities	
Accrued marketing expenses	200
Accrued interest	120
Total Liabilities	320
Total Equity and Liabilities	**3,770**

QUESTION 15
Marking guide

	Marks
Sub-section a)-Calculation of operating cycle	
Calculation of Inventory turnover period	3
Calculation of Accounts receivable collection period	3
Calculation of Accounts payable payment period	3
Calculation of Operating Cycle days	3
Sub-total	**12**
Sub-section b)	
Award 2 marks for the correct comments	**2**
Sub-section c)	

Award 2 marks for each correct step/action that would reduce the operating cycle up to maximum 3	**6**
Total	**20**

Model answer

a) Calculation of operating cycle

Operating cycle	Days
Inventory turnover period	200
Add: Accounts receivable collection period	93
Less: Accounts payable payment period	88
Operating Cycle days	**205**

Workings:

Inventory turnover period= (Total closing inventory × 365)/ Cost of goods sold=(150,000+60,000+200,000)*365/750,000	200
Accounts receivable collection period=Closing trade receivables × 365/Credit Sales=230,000*365/900,000	93
Accounts Payable payment period=Closing trade Payable × 365/credit purcchases=120,000*365/500,000	88

b) The Operating Cycle (OC) refers to the days required for a business to receive inventory, sell the inventory, and collect cash from the sale of the inventory. This cycle plays a major role in determining the efficiency of a business. Therefore, from the calculation above the operating cycle of Muraza is higher than the industry average and it is recommended to take practical steps to reduce it so as to improve operational efficiency

c) The steps that Muraza could take to reduce the operating cycle include the following:

1. **Reducing the average raw material inventory turnover** by fast-tracking the production process and increasing the demand for the final products. Reduce the time wasted, ensure that materials and goods spend less time providing zero value for your business (in storage or transit). Instead, they are converted into revenue sooner, increasing your turnover
2. **Reducing the time taken to produce goods**. However, the company must ensure that quality is not sacrificed as a result of speeding up the production process.

3. **Increasing the period of credit taken from suppliers.** The credit period seems very long –the company is allowed three months' credit by its suppliers, and probably could not be increased. If the credit period is extended then the company may lose discounts for prompt payment.

4. **Reducing the average finished goods inventory turnover** by increasing the demand for the final products and adopt the make-to-order approach which will increase your inventory turnover ratio.
5. **Reducing the average receivables collection period**. The administrative costs of speeding up debt collection and the effect on sales of reducing the credit period allowed must be evaluated. However, the credit period does seem very long by the standards of most industries. It may be that generous terms have been allowed to secure large contracts and little will be able to be done about this in the short term.

END OF MARKING GUIDE AND MODEL ANSWERS