



CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS
S3.1: FINANCIAL ACCOUNTING

DATE: MONDAY 24, NOVEMBER 2025

INSTRUCTIONS:

1. Time allowed: **3 hours**.
2. This examination has **three** sections: **A, B and C**.
3. Section A has **10** multiple choice questions equal to 2 Marks each.
4. Section B has **2** questions equal to 10 Marks each.
5. Section C has **3** questions equal to 20 Marks each.
6. All questions are compulsory.
7. The question paper should not be taken out of the examination room.

SECTION A

QUESTION ONE

Financial accounting is mainly concerned with?

- A Analysis of data to provide information as a basis for managerial action
- B Reporting the financial performance and financial position of the business
- C Providing information towards the more efficient running of the business
- D All the above

(2 Marks)

QUESTION TWO

Which of the following statements is/are true about the International Financial Reporting Standards (IFRS)?

- A IFRS are not intended to be applied to immaterial items,
- B IFRS are not intended to be applied retrospectively
- C Each individual standard lays out its scope at the beginning of the standard
- D All the above

(2 Marks)

QUESTION THREE

Which of the following's measurement basis reflects the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date?

- A Historical cost
- B Fair value
- C Current cost
- D Value in use

(2 Marks)

QUESTION FOUR

The following material events took place after the reporting date of 31 December 2022 and before the financial statements for MINALOSA Ltd are approved.

- (i) KAGABO, a major customer of MINALOSA Ltd, went into liquidation. MINALOSA Ltd has been advised that it is highly unlikely to receive any of the outstanding debt of FRW150 million owed by KAGABO at the year end.
- (ii) A fire occurred in the warehouse of MINALOSA Ltd and stock costing FRW75 million was destroyed. Proper adjustments were made in the financial statements as required by IAS 10 Events After the Reporting Date.

What is the effect on profit for the year in the financial statements at 31 December 2022 of making the required adjustments?

- A FRW 150 million-Decrease

B FRW 75 million-Decrease
C FRW 225 million-Decrease
D No effect on the profit for the year

(2 Marks)

QUESTION FIVE

On 15 January 20X5, a major customer of Entity A is declared bankrupt. Evidence shows the customer's financial difficulties existed at 31 December 20X4. **How should Entity A treat this event?**

A Non-adjusting event: disclose only
B Adjusting event: recognise impairment/adjust receivables
C Neither adjusting nor disclosable
D Adjusting event: disclose only, no adjustment

(2 Marks)

QUESTION SIX

Below is the extract of the statement of financial position of ROYALE Ltd on 1st July 2023:

	FRW "Million"	FRW "Million"
Share Capital FRW 100 ordinary shares (fully paid)		1,000
Reserves		
Share premium	500	
Retained Earnings	2,000	2500
Total		3,500

ROYALE Ltd decided to make a '3 for 2' bonus issue. **The journal entry for the issue will be?**

A Dr. Cash: FRW 1,500 M;
Cr share Capital: FRW 1,500 M
B Dr. Share Premium: FRW 500 M;
Dr. Retained Earnings: FRW 1,000M;
Cr share Capital: FRW 1,500 M
C Dr. Share premium: FRW 500 M;
Dr. Retained Earnings: FRW 167M;
Cr share Capital: FRW 667 M
D Dr. Share Capital: FRW 1500 M;
Cr. Retained Earnings: FRW 1,000 M;
Cr share Premium: FRW 500 M

(2 Marks)

QUESTION SEVEN

On 15 December 20X5, the Ministry of Health receives a grant of \$2,000,000 from a development partner to build a rural clinic. The agreement states that if the clinic is not constructed, the funds must be returned. Construction will begin in March 20X6. **How should the grant be accounted for on 31 December 20X5**

- A Recognise revenue of \$2,000,000 immediately
- B Recognise as net assets/equity
- C Recognise a liability for \$2,000,000
- D Disclose only; no recognition**

(2 Marks)

QUESTION EIGHT

While reading the financial report of KELLEN Ltd for the year ending 30th June 2023, the financial analyst found a statement saying, “The ratio has decreased in 2023 compared to 2022 because we have reduced the length of time allowed for customers to pay their invoices”. **This statement explains the decrease in which of the following ratios?**

- A The receivables collection period
- B The customers payment period
- C Interest cover
- D The payables payment period**

(2 Marks)

QUESTION NINE

Which of the following statements is/are true about the accounting systems?

- A 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.
- B An effective accounting system should provide information at the required time
- C Both A and B
- D None of the answers is true

(2 Marks)

QUESTION 10

On 01 January 2022, Mr. James, the Lawyer of MBTC Ltd informed the management that the company is likely to pay FRW 10,000,000 damages for the product that was distributed to their customers and failed to work as expected. MBTC Ltd duly set up a provision as at 31 December 2022. However, the following year (ending 31 December 2023), the lawyer found that the damages were more likely to be FRW 50,000,000.

What amount of expense (Provision for damages) will be recorded in the financial statement of MBTC Ltd for the year ending 31 December 2023?

- A FRW 10,000,000
- B FRW 50,000,000
- C FRW 40,000,000
- D FRW 60,000,000**

(2 Marks)

SECTION B

QUESTION 11

Packson&Sons Ltd is a limited liability company that manufactures home furniture in the City Centre. On 20 November 2022 they have received an order from the customer for a home sofa at a price of FRW 800,000 (including 18% VAT of FRW 144,000). The home sofa was assembled and delivered to the customer on 25 January 2023, who accepted it as satisfactory by signing a delivery note on the same date. The accountant of Packson&Sons Ltd then invoiced the customer on 1 February 2023. The customer paid FRW 800,000 to Packson&Sons Ltd on 1 March 2023.

Required:

In accordance with IFRS 15-*Revenue from Contracts with Customers*, **discuss how Packson&Sons Ltd would account for this revenue using the five (5) step model** (10 Marks)
(Total: 10 Marks)

QUESTION 12

Urugwiro Ltd applies IAS 16 to property, plant and equipment and uses the cost model. All depreciable classes apply the same depreciation method: reducing balance. Depreciation is proportionate in the year of purchase and no depreciation is charged in the year of disposal. Ignore impairment, revaluations, foreign currency and tax. Amounts are in FRW.

Depreciation rates: Buildings 5%, Plant & Machinery 20%, Motor Vehicles 25%

At 1 January 2025, the balances were:

- Land at Cost 240,000; Accumulated depreciation nil.
- Buildings at Cost 500,000; Accumulated depreciation 150,000.
- Plant & Machinery at Cost 300,000; Accumulated depreciation 120,000.
- Motor Vehicles at Cost 220,000; Accumulated depreciation 132,000.

During 2025, the company undertook the following transactions: on 1 January 2025, it purchased a machine for 40,000 which remained in use at 31 December 2025; on 1 July 2025, it purchased a second machine for 30,000; on 31 March 2025, it disposed of a motor vehicle with cost 50,000 and accumulated depreciation 40,000 at the date of disposal.

Required:

In accordance with IAS 16 disclosure requirements, **prepare by class of asset, the reconciliation of the carrying amount at the beginning and end of the year ended 31 December 2025** (10 Marks)

SECTION C

QUESTION 13

You are provided with the following statements of financial position of MEGA Ltd and MINI Ltd as at 31 December 2022:

Statements of financial position as at 31 December 2022

Details	MEGA Ltd (FRW “000”)	MINI Ltd (FRW “000”)
Property plant and Equipment	7,600	3,040
Investment in MINI LTD	1,280	
Current assets	2,280	920
Total Assets	11,160	3,960
Equity and liabilities		
Ordinary share capital (FRW 1)	4,000	1,000
Share Premium	1,000	200
Retained Earnings	3,620	1,630
Total Equity	8,620	2,830
Non-current Liabilities	1,300	500
Current Liabilities	1,240	630
Total Equity and Liabilities	11,160	3,960

Additional information:

1. On 1 January 2022, MEGA has acquired 600,000 ordinary shares in MINI Ltd
2. At the date of acquisition, MINI LTD had the total reserves amounting to FRW 1,000,000 (Share premium: FRW 200,000 and Retained earnings: FRW 800,000).
3. The goodwill was assessed and found to have an impairment loss of 20% in MINI LTD.
4. It is the policy of MEGA LTD to measure non-controlling interest at their proportionate interest in the net assets of MINI LTD at the date of acquisition.

Required:

- a) **What is the value of goodwill to be recognized in the Statement of Financial Position of MEGA LTD as at 31 December 2022** (7 Marks)
- b) **Prepare a consolidated Statement of Financial Position for the year ending 31 December 2022.** (13 Marks)

(Total: 20 Marks)

QUESTION 14

a) In accordance with IAS 1 Presentation of Financial Statements, **explain the 5 components of a complete set of financial statements** (5 Marks)

b) You are provided with the following account balances extracted from the books of DANKEH LTD for year ending 31 December 2022

Items	Dr. FRW "000"	Cr. FRW "000"
Revenue		3,820
Land and Buildings	1,200	
Plant and equipment	1,400	
Cost of sales	1,800	
Other income		1,100
Distribution costs	700	
Administrative expenses	620	
Other expenses	400	
Finance cost	300	
Cash at bank	500	
Share capital		2,000
Total	6,920	6,920

Additional Information:

1. Not included in the cost of sales, is the cost of the inventory at the end of the year which had a cost of FRW 800,000 and net realizable value of FRW 750,000.
2. The land and building were valued at FRW 1,100,000. This was after calculating the annual depreciation for the building amounting to FRW 350,000. It is the company's policy to recognize depreciation charges as administrative expenses.
3. Plant and equipment are depreciated at an annual rate of 20%, straight line basis.
4. Additional marketing costs amounting to FRW 200,000 were incurred but not recorded.
5. Included in other expenses, is the water and electricity bill of FRW 300,000 which relates to next financial year.
6. Annual Interest on bank loan of FRW 120,000 were not yet recorded.

Required:

- i) Statement of Profit or Loss and other comprehensive income of DANKEH Ltd for the year ending 31 December 2022 (7 Marks)
- ii) Statement of Financial Position of DANKEH Ltd as at 31 December 2022 (8 Marks)

(Total: 20 Marks)

QUESTION 15

The following information were extracted from the books of Muraza for the year ended 31 December 2022:

Descriptions	FRW “000”
Closing inventory:	
- Raw Materials	150,000
- Work in progress	60,000
- Finished goods	200,000
Purchases (all on credit)	500,000
Sales (all on credit)	900,000
Cost of goods sold	750,000
Trade Accounts receivable	230,000
Trade Accounts Payable	120,000

Required:

- a) Calculate the operating cycle in days, rounding up to the nearest unit (12 Marks)
- b) Comment on the answer obtained in (a) above given that the average operating cycle for the industry is 165 days (2 Marks)
- c) Advise Muraza on 3 practical steps/actions that could be taken to reduce the operating cycle length (6 Marks)

(Total: 20 Marks)

End of question paper