CERTIFIED PUBLIC ACCOUNTANT

ADVANCED LEVEL 1 EXAMINATIONS

A1.3: ADVANCED FINANCIAL REPORTING

DATE: MONDAY 25, MAY 2026

INSTRUCTIONS:

1. **Time Allowed: 3 hours 45 minutes** (15 minutes reading and 3 hours 30 minutes writing).
2. This examination has **two** sections**: A & B.**
3. Section **A** has **one Compulsory Question** while section **B** has **three optional questions** to choose any **two.**
4. In summary attempt **three questions.**
5. Marks allocated to each question are shown at the end of the question.
6. Show all your workings where necessary.
7. The question paper should not be taken out of the examination room

SECTION A

QUESTION ONE

Karangwa Agri Holding Ltd ("KAH") is a listed agro-processing holding company incorporated in Rwanda which in the past years has earned a reputation of being one of the largest companies in the agriculture sector in Rwanda. KAH holds large plantations of a variety of fruit trees ("bearer plants") from which it produces processed bottled fruit juices (like mango juice, apple juice etc.). KAH's processed juice sells under a strong brand name called the "KAH royal" in and outside Rwanda.

KAH holds investments in two other local companies which both operate in the agriculture sector. All companies in the group prepare their financial statements to 30 June each year and apply similar accounting policies.

The following statements of profit or loss and other comprehensive income relate to the separate entities in the KAH group for the year ended 30 June 2025 (in FRW millions).

	KAH	MTP	NCC
Revenue	17,163	10,700	8,820
Cost of sales	(9,680)	(6,512)	(5,670)
Gross profit	**7,483**	**4,188**	**3,150**
Distribution costs	(927)	(577)	(475)
Administration expenses	(855)	(532)	(438)
Other income	1,800		
Finance costs	(59)	(36)	(30)
Profits before tax	**7,442**	**3,043**	**2,207**
Income tax expense	(572)	(356)	(293)
Profits for the year	**6,870**	**2,687**	**1,914**
Other comprehensive income items:			
Revaluation gains on property	35	12	-
Fair value gain on equity instruments	52	-	-
Total other comprehensive income	**87**	**12**	**-**
Total comprehensive income for the year	**6,957**	**2,699**	**1,914**

Extracts from the statement of financial position:

	KAH	MTP	NCC
Property, plant and equipment - at 30 June 2025	25,200	12,900	11,200
Biological assets - at 30 June 2025	36,800	22,400	17,400
Equity items at 1 July 2024:			
Share capital	5,100	5,000	2,795
Retained earnings	6,525	4,120	3,250
Other reserves	2,400	1,250	-

Additional Information:

1. On 1 July 2021, KAH acquired 80% voting ordinary share capital of Muganzi Tea Processors Ltd ("MTP"), a tea leaf processing and export company whose operations are based in the Nyamasheke and Nyaruguru districts.

   KAH paid an immediate cash consideration of FRW 8,000 million on the acquisition of MTP when the fair value of MTP's net assets were measured at FRW 7,600 million. The retained earnings and other reserves in MTP on 1 July 2021 were FRW 1,700 million and FRW 800 million respectively. The NCIs are carried using the "fair value" method and the fair value of the NCIs on 1 July 2021 was FRW 1,500 million. On 1 July 2021, the carrying amount of the net assets in MTP were equal to their fair value.

   The Goodwill attributable to the investment in MTP has not been impaired in the prior years. However, on 31 December 2024, it was reported that the goodwill attributed to MTP had suffered an impairment loss of 10% (of the initial amount of goodwill). Impairment loss on goodwill is presented in the "administration expenses"

2. On 1 July 2021, KAH acquired 25% voting ordinary share capital of Nsabimana Coffee Cooperative ("NCC") gaining significant influence over NCC. It is widely reported that NCC is one of the largest coffee-washing and export cooperatives in Rwanda with most of its exported coffee sold in Europe. KAH's paid FRW 2,500 million on the acquisition of the shareholding in NCC. On 1 July 2021, NCC's retained earnings were FRW 1,400 million. NCC does not have any "other reserves".
   Though NCC has reported a profit in the year, there has been a significant instability in the prices of coffee on the world market with the uncertainty in the coffee prices resulting in an impairment loss of FRW 30 million this year for KAH's investment in NCC. The investment in NCC is considered to be a cash-generating unit in its own right.

3. On 1 January 2025, KAH disposed 10% of the shareholding held in MTP retaining 70% voting ordinary share capital in MTP after the disposal. The disposal proceeds of FRW 1,400 million were received in cash on the date of disposal.

   On the basis that the directors of KAH are uncertain of how to account for this partial disposal of the investment held in MTP, they have recognized correctly the cash proceeds in the "cash and bank" but recognized the credit entry in the profit or loss within the "other income" account.

4. In the prior years, there were no transactions between the three companies. However, in the month of June 2025, KAH made the following purchases of goods on normal market terms from MTP and NCC:
   - KAH purchased processed tea leaves from MTP with a purchase price of FRW 1,200 million and with a profit margin of 25%. The purchase price was immediately settled by KAH. Records confirmed that KAH still held 20% of these goods unsold in the stores by the reporting date of 30 June 2025.

- KAH purchased unprocessed coffee beans from NCC with a purchase price of FRW 900 million and with a profit margin of 15%. The purchase price was immediately settled by KAH. Records confirmed that KAH still held 40% of these goods unsold in the stores by the reporting date of 30 June 2025.

5. On 1 July 2024, KAH purchased a large piece land that holds plantations of mature mango trees ("bearer plants") in the northern province. This was intended to increase the company's production capacity arising from the high demand for KAH royal drinks in the new markets located in Asia. KAH paid FRW 12,000 million to acquire this property on 1 July 2024 (the price was allocated correctly as FRW 7,000 million for land and FRW 5,000 million being the fair value for the plantation of the mango trees).

   KAH has recognised the cost attributed to land as property, plant and equipment and while the cost attributed to the mango trees was recognised and classified these as biological assets under IAS 41 *Agriculture*. The plantation of the mango trees on average had an estimated economic useful life of 20-years on 1 July 2024. On 30 June 2025, KAH revalued the mango trees to FRW 5,150 million and recognised the "gain" of FRW 150 million in the profit or loss as "other income". In all other plantations, it is KAH's policy to revalue bearer plants.

   MTP has determined the fair value of all its tea leaves plantations to have a fair value gain of FRW 120 million in the six-months period 1 January 2025 to 30 June 2025. However, this fair value gain has not yet recognised in the financial statements of MTP.

   Other than the information in this note, there are no other adjustments required for biological assets and property, plant and equipment in the preparation of KAH's consolidated financial statements.

6. Except where specifically stated in the information above, assume that all items of incomes and expenses accrue evenly across the accounting period.

Required

a) Using the information provided and by use of relevant workings for consolidated financial statements of the KAH group

i) **Compute the Goodwill balance attributable to the acquisition of MTP at 31 December 2024 (immediately after accounting for the impairment loss)** (2 Marks)

ii) **Briefly explain the accounting treatment of the disposal of KAH's shareholding in MTP in the consolidated financial statements** (3 Marks)

iii) **Show the relevant computation and accounting journal for the exchange arising from the piecemeal disposal of KAH's shareholding in MTP** (3.5 Marks)

iv) **Present (with computation where necessary) the accounting journal(s) of the transactions between KAH, MTP and NCC** (1 Mark)

v) **Compute the profit / (loss) from the associate (NCC) for the year ended 30 June 2025 and investment in associate (NCC) at 30 June 2025** (3.5 Marks)

vi) For purposes of the consolidated statement of financial position, **compute the adjusted closing balances for the biological assets and property, plant and equipment at 30 June 2025** (6.5 Marks)

b) Using information from all notes and other workings above**, compute the:**

i) Non-controlling interests (NCI) in the group profit or loss and other comprehensive income and the NCI balance at 30 June 2025 (as it will be reported in the Group Equity) (7.5 Marks)

ii) Consolidated retained earnings at 30 June 2025 (6.5 Marks)

iii) Consolidated other reserves at 30 June 2025 (3.5 Marks)

C) Prepare the consolidated statement of profit or loss and other comprehensive income for the KAH group for the year ended 30 June 2025 (13 Marks)

You are required to reference your workings and all monetary figures should be rounded to the nearest full FRW millions (no decimal places are allowed) **(Total: 50 Marks)**

SECTION B

QUESTION TWO

The Institute of Auditors Rwanda ("IA-R" or "the Institute") is a not-for-profit professional body incorporated in Kigali under the Law Governing Non-Governmental Organisations in Rwanda. Founded in 2006, the Institute serves as the national affiliate of a global network of internal audit professionals and is responsible for promoting, regulating and developing the internal audit profession across the public, private and not-for-profit sectors of Rwanda. The Institute prepares its general-purpose financial statements in accordance with International Financial Reporting Standards (IFRS) and its functional and presentation currency is the Rwandan franc (FRW). The reporting date is 31 December.

With the support of the Ministry of Finance and Economic Planning (MINECOFIN), IA-R signed a Financing Agreement with the International Development Association (a member of the World Bank Group) on 1 April 2025 for a grant of USD 2,000,000 to finance a three-year project entitled *"Modernising the Internal Audit Profession in Rwanda"*. The grant passes through MINECOFIN, which acts as the implementing agency, and is disbursed to IA-R in United States dollars on the achievement of specified project milestones. The grant is subject to a callback clause under which any funds disbursed but not applied to the project purposes in accordance with the approved budget are repayable to MINECOFIN on demand. Management of IA-R has confirmed that, at the reporting date, all disbursements have been applied to their approved purposes and all milestone targets for the current period have been met.

The principal activities funded by the grant are: (i) the development of a new professional qualification, the *Certified Public-Sector Internal Auditor (CPSIA)*, to be offered to candidates from 1 April 2026; (ii) the acquisition of a Computer-Based Examination (CBE) platform and an integrated Student Management System from an international vendor to deliver and administer the CPSIA assessments; and (iii) support for the Institute's ongoing operations over the period of the project.

The grant has been structured into three distinct tranches, which were drawn during 2025 as follows:

Tranche 1 - Qualification development. USD 800,000, drawn on 1 July 2025, to meet the costs of developing the CPSIA syllabus, examination question bank, learning materials and candidate guidance. The total expected cost of completing the qualification development is estimated at USD 800,000 equivalent and the grant is intended to cover these costs in full.

Tranche 2 - CBE platform. USD 700,000, drawn on 1 October 2025, exclusively for the purchase, configuration and commissioning of the CBE platform and the Student Management System from Summit Assessment Technologies, a specialist vendor based in Mumbai, India.

Tranche 3 - Operating support. USD 500,000, drawn on 1 October 2025, to be applied over a period of 36 months from 1 October 2025 to meet the incremental operating costs of running the Institute's expanded activities associated with the CPSIA programme.

The following additional information is relevant to the year ended 31 December 2025:

1. Between 1 April 2025 and 30 June 2025, IA-R incurred costs of FRW 250,000,000 on a feasibility study, market research and the development of high-level curriculum concepts

for the CPSIA. On 1 July 2025, the Technical Committee of IA-R formally confirmed that the qualification was technically feasible, commercially viable and that the Institute had the resources to complete it. Between 1 July 2025 and 31 December 2025, a further FRW 500,000,000 was incurred on detailed syllabus drafting, development of the examination question bank and production of learning materials. All costs have been settled in cash and recorded in an account in the general ledger titled *"Qualification development costs"*.

2. The CBE platform and Student Management System were acquired from Summit Assessment Technologies under a contract denominated in US dollars with a total contract value of USD 700,000. Delivery and commissioning were completed on 1 October 2025, from which date the system was available for use. Under the contract, USD 550,000 was paid on delivery and USD 150,000 is retained, payable on 31 March 2026 following successful completion of a six-month acceptance period. The CBE platform and Student Management System are expected to have a useful economic life of five years with no residual value and will be amortised on a straight-line basis.

3. All grant disbursements have been received into a dedicated USD-denominated project bank account held with Bank of Kigali. At 31 December 2025, the balance on this USD account was USD 250,000, representing undrawn portions of Tranches 2 and 3 not yet applied to project purposes.

4. During November 2025, Kagera Content Partners Ltd, a Rwandan firm engaged on a fixed-fee basis to develop the CPSIA learning materials, submitted a claim for additional fees of FRW 40,000,000, alleging that the scope of its engagement had been materially expanded by IA-R during 2025. IA-R's management disputes the claim in full, asserting that all work performed fell within the original scope of the contract. The Institute's external legal counsel has advised management, in a written memorandum dated 15 December 2025, that although the claim will be vigorously defended, it is probable that IA-R will be required to settle the dispute, and that the most likely settlement amount, based on comparable recent disputes before the Kigali Commercial Court, is FRW 15,000,000. No amount has yet been recorded in the draft financial statements in respect of this matter.

5. The following spot rates of exchange applied during 2025. The Institute's functional currency (FRW) has weakened steadily against the US dollar during the year.

Date	**FRW per USD**
1 July 2025	1,280
1 October 2025	1,310
Average for the year 2025	1,295
31 December 2025	1,340

6. It is the Institute's accounting policy to present asset-related government grants and deferred grant income separately on the face of the statement of financial position, rather than netting grants against the carrying amount of the related assets. Grant income relating

to costs of operations is presented as a separate line item within other operating income in the statement of comprehensive income.

You are the Financial Reporting Manager of IA-R, reporting to the Executive Director, Mr Jean-Bosco Habiyaremye, CPA. Mr Habiyaremye is preparing the draft financial statements for the year ended 31 December 2025 and has asked you for technical guidance on the matters set out below.

Required:

a) **Analyse, in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the appropriate recognition, measurement and presentation of each of the three grant tranches received by IA-R during 2025.** *Your answer should identify the amounts to be recognised in the statement of comprehensive income and in the statement of financial position at 31 December 2025 in respect of each tranche, clearly showing your workings.* (9 Marks)

b) **Explain, in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, the accounting treatment at 31 December 2025 of the USD-denominated project bank account; the retention payable to Summit Assessment Technologies; and the CBE platform and Student Management System carried as an intangible asset; and compute the net exchange gain or loss to be recognised in profit or loss for the year in respect of the monetary items.** (7 Marks)

c) **Explain, in accordance with IAS 38 *Intangible Assets*, the accounting treatment of the costs incurred on the development of the CPSIA qualification between 1 April 2025 and 31 December 2025; and the CBE platform and Student Management System acquired from Summit Assessment Technologies; and compute the carrying amount of any intangible asset to be recognised at 31 December 2025 and any amortisation charge for the year.** (6 Marks)

d) **Advise, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, on the appropriate accounting treatment at 31 December 2025 of the dispute with Kagera Content Partners Ltd; and the callback clause contained in the Financing Agreement with MINECOFIN.** (3 Marks)

(Total: 25 Marks)

QUESTION THREE

Muganza Farm Ltd is an agricultural company operating in the Eastern Province of Rwanda. The company specialises in the production of fruits and vegetables for export to European and Asian markets. Since its incorporation in 2010, it has relied on a government-leased cold-storage facility at an annual rental of FRW 20 million, a cost which management considers significantly high relative to export revenues.

New Investment Project

To reduce long-term storage costs and to generate additional revenue by renting unused cold-room space to local farmers, management proposed the construction of a company-owned building incorporating an integrated cold-room facility. The project was approved by shareholders at the Annual General Meeting held on 31 December 2023, with an approved budget of FRW 220 million (excluding borrowing costs).

Project Financing

Due to insufficient internal funds, the project was financed by internal funds of FRW 70 million and bank borrowings of FRW 150 million. The borrowings comprise FRW 100 million from AGUKA Bank at 10% per annum and FRW 50 million from KCB Bank at 12% per annum. Both loans were raised specifically for the project and were received on 1 March 2024.

Construction Timeline

Construction of the building and integrated cold-room facility commenced on 1 January 2024 and was initially expected to be completed within six months. On 1 April 2024, officials from the Rwanda Housing Authority and the National Export Company conducted a site inspection and identified significant deviations between the actual construction and the approved building permit. The company was instructed to suspend construction activities and apply for a revised permit. Construction remained suspended until 1 June 2024, when the revised permit was obtained and work resumed. Construction and all necessary testing were completed on 30 October 2024, at which date the asset was available for use.

Costs incurred during the project (FRW million)

Cost component	**FRW 'million**
External building structure	
Raw materials (bricks, cement, sand, paint, etc.)	80
Labour costs	50
Value Added Tax on materials (recoverable)	10
Site preparation costs	6
Internal building structure - cold-room	
Materials and equipment	30
Expert and labour costs	20
Testing costs	11
Training and advertising costs	10
Present value of estimated dismantling costs (after six years)	3
Total project cost (excluding borrowing costs)	**220**

Additional information

1. Muganza Farm Ltd is registered for Value Added Tax and the VAT shown above is fully recoverable from the Rwanda Revenue Authority.
2. The company has a legal obligation to dismantle the cold-room component at the end of its useful life; FRW 3 million represents the present value at 30 October 2024 of those dismantling costs.

3. The company's policy is to depreciate all buildings at 10% on a straight-line basis. The internal cold-room component must be replaced every six years, as required by the National Export Company to meet European market standards, and is therefore depreciated over that shorter period.
4. In accordance with the company's accounting policy, all eligible borrowing costs are capitalised entirely as part of the external building structure.
5. Towards the end of 2025, a geopolitical event involving the closure of the Strait of Hormuz significantly disrupted global gas supplies. This gas is essential for operating the cold-room facility. As a result, Muganza Farm Ltd was unable to provide cold-storage services to external customers as originally planned. On 31 December 2025, the fair value of the building was FRW 150 million before disposal costs of FRW 3 million, while the present value of the expected future cash flows from the entire building was estimated at FRW 150.72 million.

Required

a) In accordance with IAS 23 Borrowing Costs, **determine, with supporting computations, the amount of borrowing costs eligible for capitalisation as part of the cost of the asset, clearly identifying the commencement, suspension and cessation dates of capitalisation**. (8 Marks)

b) Compute the initial cost at which each component of the building should be recognised on 30 October 2024, justifying the treatment of each cost item. (8 Marks)

c) Explain, with computations and journal entries where appropriate, how the building should be accounted for in the financial statements for the years ended 31 December 2024 and 31 December 2025, including any impairment arising under IAS 36. (9 Marks)

(Total: 25 Marks)

QUESTION FOUR

Karisimbi Minerals Ltd ("Karisimbi" or "the Company") is a Rwandan public company incorporated in 2009 and headquartered in Nyarugenge District, Kigali. The Company operates two producing mines in the Northern Province, a cassiterite (tin) mine at Rutsiro and a coltan (tantalum) and wolframite (tungsten) concession near Nyabihu, together with an ore-processing facility in the Bugesera Special Economic Zone. Karisimbi is a 78% owned subsidiary of Laurentide Resources Inc., a diversified multinational mining group incorporated and listed in Toronto, Canada. Karisimbi itself was admitted to the Main Board of the Rwanda Stock Exchange (RSE) in 2018, where its ordinary shares are actively traded under the ticker KRSM.

The Finance Director of Karisimbi, Mrs Uwera Mukamana, CPA, has today provided you with the following summarised statement of profit or loss extracted from the Company's draft individual financial statements for the year ended 31 December 2025. All amounts are stated in Rwandan francs (FRW):

	FRW
Revenue	15,000,000,000
Cost of sales	(4,500,000,000)
Gross profit	*10,500,000,000*
Administration expenses	(6,400,000,000)
Operating profit	*4,100,000,000*
Finance costs	(1,200,000,000)
Finance income	245,000,000
Net profit before tax	*3,145,000,000*
Tax	(943,500,000)
Profit for the year	**2,201,500,000**

On 1 January 2025, Karisimbi's issued share capital was composed of 1,000,000 ordinary shares with a par value of FRW 140 per share, and 100,000 redeemable preference shares with a par value of FRW 100 per share. The preference shares carry a fixed cumulative entitlement and are redeemable at the option of the holder in exchange for ordinary shares, at a conversion ratio of one ordinary share for every two preference shares redeemed. The preference dividend is calculated on a monthly basis. During 2025, Karisimbi paid a preference dividend of FRW 2 per share; this payment has not yet been reflected within the finance costs line of the draft statement of profit or loss set out above. The profit for the year 2024, reported in the prior year comparative financial statements, was FRW 1,950 million stated net of preference dividends paid in that year.

Seeking to strengthen its working-capital position ahead of a planned expansion of the Nyabihu concession, on 1 June 2025 the Board offered every existing ordinary shareholder the right to subscribe for one new ordinary share for every five ordinary shares already held, at a discount of 25% to the prevailing market price. The shares were trading at FRW 160 per share on 31 May 2025, which was the last day on which the shares traded cum-rights on the RSE. The rights issue closed on 30 June 2025 and all rights on offer were taken up in full by existing shareholders. Karisimbi's applicable income tax rate for the year is 30%.

Separately, the Audit and Risk Committee of Laurentide Resources Inc. has written to Mrs Mukamana to confirm that, under the listing rules of the Toronto Stock Exchange, the parent is now required to comply with the recently published IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB). Laurentide has instructed all its subsidiaries, including Karisimbi, to develop an implementation plan covering both IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. Mrs Mukamana has observed that the members of Karisimbi's finance function, while highly experienced, all qualified as chartered accountants many years ago, long before sustainability reporting was incorporated into the professional syllabus, and none has had prior exposure to the ISSB framework.

You joined Karisimbi Minerals Ltd two months ago as Financial Reporting Manager, having recently qualified as an ICPAR CPA. Mrs Mukamana has asked you to assist with both the earnings per share disclosures for the 2025 financial statements and the Company's response to the parent's sustainability-reporting directive.

Required:

a) Calculate the basic earnings per share for Karisimbi Minerals Ltd for the years ended 31 December 2024 and 31 December 2025, adjusting for the unrecorded preference dividend and for the rights issue during the year. (10 Marks)

b) The two institutional investors holding all of the preference shares (a Mauritius-based private-equity fund and a domestic pension fund) jointly notified Karisimbi on 1 October 2025 that they were exercising their redemption rights in full with effect from that date. **Calculate the basic earnings per share and the diluted earnings per share for Karisimbi for the year ended 31 December 2025, taking account of the redemption.** (5 Marks)

c) Prepare a report to the Finance Director setting out the broad requirements of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, to assist Karisimbi Minerals Ltd in preparing for implementation of these standards. (10 Marks)

(Total: 25 Marks)

End of question paper.