CERTIFIED PUBLIC ACCOUNTANT

OPERATIONAL LEVEL EXAMINATION

FR2.4 FINANCIAL REPORTING

DATE: TUESDAY 26, MAY 2026

MARKING GUIDE AND MODEL ANSWERS

SECTION A

Question No	Correct Answer	Marks
1	B	2
2	B	2
3	A	2
4	D	2
5	C	2
6	C	2
7	D	2
8	B	2
9	B	2
10	A	2
11	A	2
12	D	2
13	B	2
14	C	2
15	C	2
Total		**30**

Question #	1	
Key (answer)	B	
Rationale	A.	Incorrect Correct statement: 'IPSAS are generally based on International Financial Reporting Standards as adapted to the situation of the public sector'
	B.	Correct
	C.	Incorrect Correct statement: 'IPSAS are generally based on International Financial Reporting Standards as adapted to the situation of the public sector'
	D.	Incorrect Correct statement: 'IPSAS are generally based on International Financial Reporting Standards as adapted to the situation of the public sector'

Question #	2	
Key (answer)	B	
Rationale	A.	Incorrect Correct definition: 'Short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value'
	B.	Correct
	C.	Incorrect

		Correct definition: ‘Short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value’
	D.	Incorrect Correct definition: ‘Short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value’

Question #	3	
Key (answer)	A	
Rationale	A.	Correct
	B.	Incorrect Correct organisation: The Global Reporting Initiative
	C.	Incorrect Correct organisation: The Global Reporting Initiative
	D.	Incorrect Correct organisation: The Global Reporting Initiative

Question #	4	
Key (answer)	D	
Rationale	A.	Incorrect Correct methods: 1. Nature 4. Function
	B.	Incorrect Correct methods: 1. Nature 4. Function
	C.	Incorrect Correct methods: 1. Nature 4. Function
	D.	Correct

Question #	5		
Key (answer)	C		
Rationale	A.	Incorrect Correct costs: 2. Installation costs 3. Testing	
	B.	Incorrect Correct costs: 2. Installation costs 3. Testing	
	C.	Correct	
	D.	Incorrect Correct costs: 2. Installation costs 3. Testing	

Question #	6	
Key (answer)	C	
Rationale	A.	Incorrect Correct amount: FRW 300 million
	B.	Incorrect Correct amount: FRW 300 million
	C.	Correct
	D.	Incorrect Correct amount: FRW 300 million

Question #	7	
Key (answer)	D	
Rationale	A.	Incorrect Correct treatment: Recoverable amount: 230. Impairment: 245 - 230 = 15 Debit Expenses 15 Credit Non-current asset 15
	B.	Incorrect Correct treatment: Recoverable amount: 230. Impairment: 245 - 230 = 15 Debit Expenses 15 Credit Non-current asset 15
	C.	Incorrect Correct treatment:

		Recoverable amount: 230. Impairment: 245 - 230 = 15 Debit Expenses 15 Credit Non-current asset 15
	D.	Correct

Question #	8	
Key (answer)	B	
Rationale	A.	Incorrect Correct valuation: Material X purchased on 1 January remaining in inventory = 5,000 - 4,000 = 1,000 kg * 25,000 = FRW 25 million. All material X purchased on 1 October is still in inventory = 2,000 * 35,000 = FRW 70 million. Total = 25 + 70 = FRW 95 million
	B.	Correct
	C.	Incorrect Correct valuation: Material X purchased on 1 January remaining in inventory = 5,000 - 4,000 = 1,000 kg * 25,000 = FRW 25 million. All material X purchased on 1 October is still in inventory = 2,000 * 35,000 = FRW 70 million. Total = 25 + 70 = FRW 95 million
	D.	Incorrect Correct valuation: Material X purchased on 1 January remaining in inventory = 5,000 - 4,000 = 1,000 kg * 25,000 = FRW 25 million. All material X purchased on 1 October is still in inventory = 2,000 * 35,000 = FRW 70 million. Total = 25 + 70 = FRW 95 million

Question #	9	
Key (answer)	B	
Rationale	A.	Incorrect Correct income tax expense: 150 + (80 - 60) = FRW 170 million
	B.	Correct
	C.	Incorrect Correct income tax expense: 150 + (80 - 60) = FRW 170 million
	D.	Incorrect Correct income tax expense: 150 + (80 - 60) = FRW 170 million

Question #	10	
Key (answer)	A	
Rationale	A.	Correct
	B.	Incorrect Correct revenue: Donations
	C.	Incorrect Correct revenue: Donations
	D.	Incorrect Correct revenue: Donations

Question #	11	
Key (answer)	A	
Rationale	A.	Correct
	B.	Incorrect Correct amount of revenue: 12 * 30 = FRW 360 million
	C.	Incorrect Correct amount of revenue: 12 * 30 = FRW 360 million
	D.	Incorrect Correct amount of revenue: 12 * 30 = FRW 360 million

Question #	12	
Key (answer)	D	
Rationale	A.	Incorrect Correct presentation: Current assets: Bank 320 Current liabilities: Bank overdraft 57
	B.	Incorrect Correct presentation: Current assets: Bank 320 Current liabilities: Bank overdraft 57
	C.	Incorrect Correct presentation: Current assets: Bank 320 Current liabilities: Bank overdraft 57
	D.	Correct

Question #	13	
Key (answer)	B	
Rationale	A.	Incorrect Correct statement: The gearing ratio is calculated using the formula '(Non-equity finance / capital employed) * 100' and is expressed as a percentage
	B.	Correct
	C.	Incorrect Correct statement: The gearing ratio is calculated using the formula '(Non-equity finance / capital employed) * 100' and is expressed as a percentage
	D.	Incorrect Correct statement: The gearing ratio is calculated using the formula '(Non-equity finance / capital employed) * 100' and is expressed as a percentage

Question #	14	
Key (answer)	C	
Rationale	A.	Incorrect Correct project type: Research projects
	B.	Incorrect Correct project type: Research projects
	C.	Correct
	D.	Incorrect Correct project type: Research projects

Question #	15	
Key (answer)	C	
Rationale	A.	Incorrect Correct term: Digital taxonomy
	B.	Incorrect Correct term: Digital taxonomy
	C.	Correct
	D.	Incorrect Correct term: Digital taxonomy

SECTION B

Marking guide and Model answers

<table>
<tr><th>Q16</th><th>Answers</th><th>Marks</th></tr>
<tr><td>(a)</td><td>

Assess Whether the Contract is Onerous (IAS 37)

Before recognising revenue, it must be established whether the contract has become onerous. Under IAS 37, a contract is onerous when the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received.

Onerous Contract Assessment	**FRW million**
Economic benefits (contract price)	850
Unavoidable costs (revised total costs)	-790
Expected surplus	60

The revised total costs of FRW 790 million are less than the contract price of FRW 850 million. The contract is NOT onerous; therefore, no provision is required under IAS 37. Had the contract been onerous, a provision would have been recognised immediately for the full loss, and revenue recognition under IFRS 15 would have been adjusted accordingly.

Apply the IFRS 15

Calculate Revenue and Cost of Sales

Percentage of Completion	**FRW million**
Costs incurred to date	430
Revised total expected costs	790
Percentage of completion (430 ÷ 790)	54.4%

Statement of Profit or Loss - Year to 31 Dec 20X8	**FRW million**
Revenue (FRW 850m × 54.4%)	462
Cost of sales (costs incurred to date)	-430
Gross profit	32

Statement of Financial Position - Contract Asset/(Liability)

Contract Asset / (Liability) Calculation	**FRW million**
Costs incurred to date	430
+Profit recognised in SPL (revenue - cost of sales = 462 - 430)	32
Sub-total (= revenue recognised to date)	**462**
Less: Progress billings to customer	-400
Contract asset	**62**

Extract Financial statements

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	Financial Statement Item — **Line Item** — **FRW million** Revenue — Statement of P/L — 462 Cost of sales — Statement of P/L — -430 **Gross profit** — **Statement of P/L** — **32** Contract asset — Current asset - SoFP — 62 Trade receivable (amounts billed, unpaid) — Current asset - SoFP — 400	0.5 0.5 0.5 0.5
(b)	An entity has a present obligation as a result of a past obligating event. It is probable that an outflow of economic benefits will be required to settle the obligation. A reliable estimate can be made of the obligation.	1 1

Financial Statement Item	Line Item	FRW million	
Revenue	Statement of P/L	462	0.5
Cost of sales	Statement of P/L	-430	0.5
Gross profit	**Statement of P/L**	**32**	
Contract asset	Current asset - SoFP	62	0.5
Trade receivable (amounts billed, unpaid)	Current asset - SoFP	400	0.5

Q17	Answers	Marks
(a)	IAS 32: Classification & Error Corrections **1. Trade Receivables** Classification: Financial asset - contractual right to receive cash. Measured at amortised cost (IFRS 9). **Error:** No impairment recognised. Customer entered administration in Jan 20X9 - this is an adjusting post-balance-sheet event (IAS 10); the condition existed at 31 Dec 20X8. **Correction:** Dr Impairment loss - profit or loss 12 m Cr Trade receivables 12m Write off FRW 12m. Restate receivables FRW 95m to FRW 83m. **2. Bank Overdraft** Classification: overdraft is financial liability **Error**: Balances netted to FRW 16m liability. IAS 32 permits offset only if (i) legally enforceable right to set off AND (ii) intention to settle net/simultaneously. Having accounts at the same bank is insufficient. **Correction**: Present gross - cash FRW 18m (current asset); overdraft FRW 34m (current liability). No P&L impact. **3. Ordinary Share Issue** **Classification:** Equity instrument - residual interest in net assets; no contractual obligation to deliver cash.	0.5 0.5 1 0.5 0.5 1 0.5

	Error: FRW 8m issue costs charged to profit or loss as admin expense. IAS 32 requires transaction costs of an equity issue to be deducted from equity, not expensed.		0.5
	Correction: Reverse FRW 8m expense; deduct from share premium. Profit improves by FRW 8m; share premium restated to FRW 142m (FRW 150m gross less FRW 8m costs).		1
(b)	**IFRS 16: Right-of-Use Asset**		
	Initial measurement of the ROU asset		
	ROU asset - cost at 1 January 20X8	FRWm	
	PV of lease payments	92	
	Initial direct costs	3	1
	ROU asset at cost	95	
	Depreciation		
	Depreciation policy		
	Lease term	4 years	
	Useful life of underlying asset	5 years	
	Depreciate over (shorter of lease term / useful life)	4 years	1
	Annual charge (FRW 95m ÷ 4 years)	FRW 23.75m	
	Unless the lessee is reasonably certain to obtain ownership of the underlying asset, depreciate the ROU asset over the shorter of the lease term and the useful life of the underlying asset. No ownership transfer or purchase option applies here - lease term (4 yrs) < useful life (5 yrs) so depreciate over 4 years.		1
	Financial statement extracts - year ended 31 December 20X8		
	Statement of financial position (extract)	**FRWm**	
	Right-of-use asset - cost	95	
	Less: accumulated depreciation	-23.75	
	Carrying amount at 31 December 20X8	71.25	1
	Statement of profit or loss (extract)	**FRWm**	
	Depreciation of ROU asset (operating cost)	-23.75	

SECTION C

QUESTION 18
Marking guide

1. Goodwill Calculation	
Marking Criterion	**Marks**
Correct consideration transferred identified	0.5
NCI measured at fair value (not proportionate share)	0.5
Share capital correctly included in net assets at acquisition	0.5
Retained earnings at acquisition correctly stated	0.5
Fair value adjustment for land correctly calculated (FRW 260m - FRW 200m)	0.5
Fair value adjustment for customer relationships intangible identified	0.5
Net assets at acquisition correctly totalled	0.5
Goodwill at acquisition correctly calculated (840 + 330 - 590)	0.5
Section total	**4**
2. Intangible Asset Post-Acquisition Amortisation	
Marking Criterion	**Marks**
Correct post-acquisition period identified (1 January 20X5 to 31 December 20X8 = 4 years)	0.5
Correct annual amortisation charge calculated (FRW 80m ÷ 8 years = 10)	0.5
Section total	**1**
3. Cash Generating Unit Impairment Test	
Marking Criterion	**Marks**
Net assets of Takk at 31 December 20X8 correctly stated (SC 300 + RE 900)	0.5
Fair value adjustment for land correctly added to CGU carrying amount	0.5
Net intangible asset correctly included in CGU carrying amount	0.5
Goodwill correctly included in CGU carrying amount	0.5
Recoverable amount correctly deducted to arrive at impairment loss	0.5
Correct conclusion that impairment charged to goodwill only (impairment 380 < goodwill 580)	0.5
Section total	**3**
4. Intra-Group Asset Transfer (Upstream: Takk to Bloo)	
Marking Criterion	**Marks**
Profit on intra-group transfer correctly calculated (sale proceeds less carrying amount)	1
Full-year depreciation policy correctly applied in year of acquisition (not pro-rated to 6 months)	0.5
Net unrealised profit correctly calculated after depreciation adjustment	0.5
Section total	**2**
5. Consolidated Retained Earnings	
Marking Criterion	**Marks**

Bloo's retained earnings correctly used as the starting point	0.5
Group share of Takk post-acquisition retained earnings correctly calculated (net of intangible amortisation × 70%)	0.5
Group share of goodwill impairment correctly deducted (× 70%)	0.5
Group share of net unrealised profit on PPE correctly deducted (× 70%)	0.5
Section total	**2**
6. Non-Controlling Interest	
Marking Criterion	**Marks**
NCI at acquisition stated at fair value	0.5
NCI share of Takk post-acquisition retained earnings correctly calculated (net of intangible amortisation × 30%)	0.5
NCI share of goodwill impairment correctly deducted (× 30%)	0.5
NCI share of net unrealised profit on PPE correctly deducted (× 30%)	0.5
Section total	**2**
7. Consolidated Statement of Financial Position	
Marking Criterion	**Marks**
Goodwill correctly stated net of impairment	0.5
Intangible asset correctly stated net of post-acquisition amortisation	0.5
PPE correctly adjusted (Bloo + Takk + land FV adjustment less net unrealised profit on asset transfer)	1.5
Inventory correctly aggregated (no adjustments required)	0.5
Trade receivables correctly aggregated	0.5
Cash and cash equivalents correctly aggregated	0.5
Share capital - parent company only	0.5
Consolidated retained earnings correctly brought forward from Working 6	0.5
Non-controlling interest correctly brought forward from Working 7	0.5
Trade payables correctly aggregated	0.5
Other current liabilities correctly aggregated	0.5
Section total	**6**

Model Answer

Consolidated Statement of Financial Position - 31 December 20X8

	FRW million
Non-current assets	
Goodwill (Working 1)	200
Customer relationships intangible (Working 2)	40
Property, plant and equipment (1,500 + 1,080 + land FV adjustment 60 - net unrealised profit on asset transfer 10)	2,630
	2,870
Current assets	
Inventory (200 + 130)	330

Trade receivables (100 + 100)	200
Cash and cash equivalents (60 + 55)	115
	645
Total assets	**3,515**
Equity	
Share capital	900
Retained earnings (Working 5)	1,754
Non-controlling interest (Working 6)	426
Total equity	**3,080**
Current liabilities	
Trade payables (150 + 90)	240
Other current liabilities (120 + 75)	195
Total equity and liabilities	**3,515**

WORKING

W1 - Goodwill

	Frw Million	**Frw Million**
Consideration transferred		840
Non-controlling interest at fair value		330
		1,170
Net Assets of Takk at Acquisition		
Share capital	300	
Retained earnings at acquisition	150	
Fair value adjustment - land (FRW 260m - FRW 200m)	60	
Fair value adjustment - Intangible asset	80	
Net assets at acquisition (fair value)		**590**
Goodwill at acquisition		**580**
Less impairment (W3)		380
Goodwill at Reporting		**200**

W2 - Intangible Asset Post-Acquisition Amortisation

Post-acquisition period: 1 January 20X5 to 31 December 20X8 = 4 years exactly.	
Annual amortisation charge (FRW 80m ÷ 8 years)	10
Total amortisation for 4 years (10 × 4)	40
Net carrying amount of intangible at 31 December 20X8	40

W3 - Carrying amount of the Takk Cash Generating Unit

	Frw Million
Net assets of Takk at 31 December 20X8 (300 + 900)	1,200
Add: Fair value adjustment - land (still held)	60
Add: Intangible Asset	40
Add: Goodwill (Working 2)	580
Total carrying amount of Cash Generating Unit	**1,880**

Less: Recoverable amount	-	1,500
Impairment loss		**380**

W4 - Intra-Group Asset Transfer (Upstream: Takk to Bloo)

	Frw Million
Sale proceeds (transfer price)	75
Less: Carrying amount in Takk's books at transfer	-50
Profit on intra-group transfer	25
Depreciation charged by Bloo in 20X8	
Policy: full year depreciation in year of acquisition	
75 ÷ 5 years = 15 (full year - not pro-rated to 6 months)	15
Net unrealised profit remaining at 31 December 20X8	10

Double entry

Account	Dr	Cr
Retained earnings (eliminate profit on transfer)	25	
Property, plant and equipment (net PUP)		10
Retained earnings (excess depreciation)		15

W5 - Consolidated Retained Earnings

		Frw Million
Bloo retained earnings		1,530
Group share of Takk post-acquisition retained earnings		
(900 - 150 - 40 amortisation) × 70% = 710 × 70%		497
Less: Group share of goodwill impairment (380 × 70%)	-	266
Less: Group share of net unrealised profit on PPE (10 × 70%)	-	7
Consolidated retained earnings		**1,754**

W6 - Non-Controlling Interest

	Frw Million
NCI at acquisition at fair value	330
NCI share of post-acquisition retained earnings (710 × 30%)	213
Less: NCI share of goodwill impairment (380 × 30%)	-114
Less: NCI share of net unrealised profit on PPE (10 × 30%)	-3
Non-controlling interest at 31 December 20X8	**426**

QUESTION 19

Marking Guide

Description	Marks
Cash flows from operating activities	
Profit from operations	0.5
Adjustments for non-cash items:	
Depreciation	0.5
Depreciation - Award 0.5 marks of each posting in W1	2.0
Amortisation	0.5
Loss on disposal of plant (W1):	0.5
Working capital movements:	
Increase in inventory	1
Decrease in trade receivables	1
Increase in trade payables	1
Cash generated from operations	
Interest paid- Award 0.5 marks of each posting in W4	1.5
Tax paid - Award 0.5 marks of each posting in W3	1.5
Cash flows from investing activities	
Purchase of land & buildings - Award 0.5 marks of each posting inW2	2
Purchase of plant & equipment	0.5
Proceeds from disposal of plant - Award 0.5 marks of each posting in W1	1.0
Cash flows from financing activities	
Proceeds from issue of shares (W5)	1
Redemption of debentures	1
Dividends paid - Award 0.5 marks of each posting in W6	1.5
Net increase in cash and cash equivalents	0.5
Cash and cash equivalents - 1 January 20X8	0.5
Cash and cash equivalents - 31 December 20X8	0.5
Reconciliation of retained earning - Award 0.5 marks of each posting in W6	1.5
Total Marks	**20**

Model Answer

	FRW Millions	**FRW Millions**
Cash flows from operating activities		
Profit from operations	1,570	
Adjustments for non-cash items:		
Depreciation - buildings (W2)	80	
Depreciation - plant & equipment (W1)	540	
Amortisation - development costs (Note 3)	70	
Loss on disposal of plant (W1)	30	

Working capital movements:				
Increase in inventory (620 - 540)	-	80		
Decrease in trade receivables (560 - 480)		80		
Increase in trade payables (840 - 720)		120		
Cash generated from operations				**2,410**
Interest paid (W4)			-	180
Tax paid (W3)			-	300
Net cash from operating activities				**1,930**
Cash flows from investing activities				
Purchase of land & buildings (W2)	-	560		
Purchase of plant & equipment (Note 1)	-	1,100		
Proceeds from disposal of plant (W1)		80		
Net cash used in investing activities			**-**	**1,580**
Cash flows from financing activities				
Proceeds from issue of shares (W5)		700		
Redemption of debentures (2,000 - 1,500)	-	500		
Dividends paid (W6)	-	495		
Net cash used in financing activities			**-**	**295**
Net increase in cash and cash equivalents				**55**
Cash and cash equivalents - 1 January 20X8				**40**
Cash and cash equivalents - 31 December 20X8				**95**

Working:

Working 1 - Plant and equipment: NBV account

DR	**FRW m**	**CR**	**FRW m**
Opening NBV	2,400	Disposal - NBV (320 - 210)	110
Additions (Note 1)	1,100	Depreciation charge - balancing fig.	540
		Closing NBV	2,850
Total	**3,500**	**Total**	**3,500**

Working 1b - Proceeds from plant disposal	
Carrying value of asset (cost 320 - acc. dep. 210)	110
Less: loss on disposal per profit or loss	- 30
Proceeds from disposal	**80**

Working 2 - Land and buildings: NBV account

DR	**FRW m**	**CR**	**FRW m**
Opening NBV	3,600	Depreciation - buildings	80
Revaluation (320 m- 200 m)	120	Closing NBV	4,200
Purchases - balancing figure *	560		

Total	**4,280**	**Total**	**4,280**

Working 3 - Tax payable account

DR	FRW m	CR	FRW m
Tax paid - balancing figure	300	Opening balance	260
Closing balance	310	Current tax charge (Note 6)	350
Total	**610**	**Total**	**610**

Working 4 - Accrued debenture interest account

DR	FRW m	CR	FRW m
Interest paid - balancing figure	180	Opening balance	80
Closing balance	60	Finance cost per profit or loss	160
Total	**240**	**Total**	**240**

Working 5 - Proceeds from share issue

Shares issued: 500,000 ordinary shares at FRW 1,400 each	
Credited to ordinary share capital (500,000 × FRW 1,000)	500
Credited to share premium (500,000 × FRW 400)	200
Total cash received	**700**

Working 6 - Dividend payable account

DR	FRW m	CR	FRW m
Dividends paid - balancing figure	495	Opening balance	50
Closing balance	135	Dividends declared (per W6b)	580
Total	**630**	**Total**	**630**

Working 6b - Dividends declared: cross-check via retained earnings

Opening retained earnings (20X7)	1,340
Add: profit for the year	1,020
Less: closing retained earnings (20X8)	- 1,780
Dividends declared during 20X8	**580**

QUESTION 20

Model Answer and Marking Guide

#	Answers				Marks
(a)			20X4	20X5	
	Current ratio	(48+84)/(50+40)	1.5:1		1.5
		(62+101+300)/(68)		6.8:1	

	Quick ratio (84)/(50+40) 0.9:1 (101+300)/(68) 5.9:1 Receivables collection period (84/750) * 365 41 days (101/730) * 365 51 days Payables payment period (40/345) * 365 42 days (68/328) * 365 76 days *Note - 0.5 marks for correct formula and figures, and 0.5 marks for calculating ratio for **each** year*	1.5 1.5 1.5
(b)	The following points can be made in relation to the liquidity position, but other points could also be given credit: • The current and quick ratios are acceptable in 20X4, and neither is a cause for concern. The 20X5 figures are much higher, and may actually be too high - ie cash is being held at an excessive level rather than being put to productive use in the business. • The current level of cash and bank balance may be a temporary situation; eg the cash may have been obtained to use for a large non-current asset purchase. • Both the receivables collection period and payables payment period are longer than in 20X4. This can be a benefit in the case of payables, but could be an indication of difficulty in processing payments efficiently. • The inventory level has increased. There is not enough information to calculate a ratio, but this may not be an efficient use of funds if the level of inventory is in excess of what is needed to keep the business operating. • There has been a large increase in long-term loans, which may be the main reason for the improvement in the cash and bank position. If the company is using long-term funding to deal with cash flow problems, this may simply defer the problem rather than solve it. Also, the interest payments on the extra loans will create additional cash flow pressures each year.	1 mark per point up to 4 marks

End of Marking guide and Model Answers