CERTIFIED PUBLIC ACCOUNTANT

OPERATIONAL LEVEL EXAMINATIONS

FR2.4 FINANCIAL REPORTING

DATE: TUESDAY, 26 MAY 2026

INSTRUCTIONS:

1. Time Allowed: **3 hours 15 minutes** (15 minutes reading and 3 hours writing).
2. This examination has **THREE** sections**; A, B and C**
3. Section A has **15 Compulsory** questions, each worth 2 Marks.
4. Section B has **2 Compulsory** questions, each worth 10 marks.
5. Section C has **3 Compulsory** questions: one question is worth 10 marks, and two questions are worth 20 marks each.
6. In summary attempt **All Questions**
7. Show all your workings where applicable
8. Marks allocated to each question are shown at the end of the question
9. The question paper should not be taken out of the examination room.

SECTION A

QUESTION ONE

Which one of the following statements is true of International Public Sector Accounting Standards (IPSAS)?

A IPSAS are all based on the cash basis of accounting
B IPSAS are generally based on International Financial Reporting Standards as adapted to the situation of the public sector
C IPSAS are designed to be used in both the public and private sectors equally
D IPSAS are generally based on International Standards on Auditing with additional public sector content

(2 Marks)

QUESTION TWO

Which one of the following is the definition of 'cash equivalents' in IAS 7 Statement of Cash Flows?

A Current investments that are may be sold for cash in the short term and which may increase or decrease in value in the longer term
B 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
C Long term investments that are readily convertible to known amounts of cash and which are subject to a significant risk of change in value
D Medium term, marketable investments that are readily convertible to known amounts of cash and which are likely to increase in value

(2 Marks)

QUESTION THREE

Which one of the following was established in 1997 to develop a sustainability reporting framework for businesses?

A Global Reporting Initiative
B International Accounting Standards Board
C International Reporting Council
D Sustainable Reporting Board

(2 Marks)

QUESTION FOUR

Consider the following in the context of financial statement presentation:

1. Nature
2. Size
3. Location
4. Function

IAS 1 allows companies to present expenses on the statement of profit or loss by either of which TWO of these methods?

A 2. Size
 4. Function

B 2. Size
 3. Location

C 1. Nature
 3. Location

D 1. Nature
 4. Function

(2 Marks)

QUESTION FIVE

Consider the following types of cost:

1. Staff training
2. Installation costs
3. Testing
4. Refundable purchase taxes

Which of the costs listed above can be included in the initial cost that is recognised when an asset is acquired, according to IAS 16 Property, Plant, and Equipment?

A 3. Testing
 4. Refundable purchase taxes

B 1. Staff training
 2. Installation costs

C 2. Installation costs
 3. Testing

D 1. Staff training
 4. Refundable purchase taxes

(2 Marks)

QUESTION SIX

Company M incurred costs of FRW 500 million on a project. FRW 100 million of this was spent on original research into a new material, and the remaining FRW 400 million was spent on developing a new product.

Development of the product was completed and the asset became available for use on 1 January 20X7, when commercial production commenced. The product is expected to have a useful commercial life of 4 years with no residual value.

What is the carrying amount of intangible assets in Company M's financial statements for the year to 31 December 20X7?

A FRW 500 million
B FRW 400 million
C FRW 300 million
D FRW 375 million

(2 Marks)

QUESTION SEVEN

On 31 December 20X7, Garra Company had an asset with a carrying value of FRW 245 million. Changes in the market indicate that the asset may be impaired.

The results of the impairment review showed:

- Fair value less costs of sale are FRW 220 million
- Value in use is FRW 230 million

Garra Company uses the cost model to account for non-current assets

Which one of the following accounting entries is required to account for the asset?

A	Debit	Expenses	25
	Credit	Non-current asset	25
B	Debit	Revaluation reserve	15
	Credit	Non-current asset	15
C	Debit	Revaluation reserve	25
	Credit	Non-current asset	25
D	Debit	Expenses	15
	Credit	Non-current asset	15

(2 Marks)

QUESTION EIGHT

Company Y purchased 5,000 kg of material X at a price of FRW 25,000 per kg on 1 January 20X7, and a further 2,000 kg at a price of FRW 35,000 per kg on 1 October 20X7. During the year to 31 December 20X7, Company Y used 4,000 kg of material X and Company Y had no inventory of material X on 1 January 20X7. Company Y uses the First-In, First-Out (FIFO) method of valuation for inventory.

What is the value of the inventory of material X held by Company Y on 31 December 20X7?

A FRW 70 million
B FRW 95 million
C FRW 75 million
D FRW 105 million

(2 Marks)

QUESTION NINE

In the year to 31 December 20X7, Toehead Company estimated its income tax liability to be FRW 150 million. On 30 June 20X7, Toehead paid the tax liability of FRW 80 million for the year to 31 December 20X6 in full. The liability had been estimated to be FRW 60 million in Toehead's financial statements for the year to 31 December 20X6.

How much should be charged to Toehead Company's statement of profit or loss as an income tax expense for the year to 31 December 20X7?

A FRW 150 million
B FRW 170 million
C FRW 230 million
D FRW 130 million

(2 Marks)

QUESTION 10

Which of the following would be classed as revenue from a non-exchange transaction under IPSAS 23 Revenue from Non-Exchange Transactions?

A Donations
B Royalties
C Sale of goods
D Dividends received

(2 Marks)

QUESTION 11

FTT Company manufactures cars, and on 1 July 20X7 supplied the retailer BRM Company with 20 vehicles at a price of FRW 30 million per vehicle. Under the terms of the sale, BRM is able to return any unsold vehicles to FTT at any time during the 12 months from the date that the vehicles were delivered. On 31 December 20X7, BRM had sold 12 of the vehicles to customers at an average price of FRW 35 million, and the remaining 8 vehicles were still in BRM's inventory.

How much should FTT Company recognise as revenue from the sale of vehicles to BRM for the year to 31 December 20X7?

A FRW 360 million
B FRW 420 million
C FRW 240 million
D FRW 600 million

(2 Marks)

QUESTION 12

Cail Company owns 65% of the shares in Each ltd.

On 31 December 20X7, Cail had a bank balance of FRW 200 million, and a bank overdraft of FRW 45 million.

On the same date, Each ltd had a bank balance of FRW 120 million, and a bank overdraft of FRW 12 million.

How should this be presented in the consolidated statement of financial position of Cail Company on 31 December 20X7?

A Current assets: Bank 320
Current liabilities: Bank overdraft 45

B Current assets: Bank 263
Current liabilities: Bank overdraft 0

C Current assets: Bank 208
Current liabilities: Bank overdraft 29

D Current assets: Bank 320
Current liabilities: Bank overdraft 57

(2 Marks)

QUESTION 13

Which one of the following is true of the gearing ratio?

A The gearing ratio is calculated using the formula ‘(Ordinary share capital / capital employed) * 100’ and is expressed as a number of times per year

B The gearing ratio is calculated using the formula ‘(Non-equity finance / capital employed) * 100’ and is expressed as a percentage

C The gearing ratio is calculated using the formula ‘(Ordinary share capital / profit) * 100’ and is expressed as a number of times per year

D The gearing ratio is calculated using the formula ‘(Non-current assets / non-equity capital) * 100’ and is expressed as a percentage

(2 Marks)

QUESTION 14

The International Accounting Standards Board (IASB) work plan sets out activities related to standards and other IASB documents, and these are divided into different types of project.

Which one of the following relates to work on ‘gathering information and evidence related to an issue, such as a problem that may require a standard or a change to a standard to address the problem and identify a feasible solution’?

A Standard-setting projects

B Taxonomy projects

C Research projects

D Maintenance projects

(2 Marks)

QUESTION 15

Which one of the following is a system for classifying and structuring data points in a manner that makes the data capable of being 'machine-readable'?

A Database
B Financial Management Information System
C Digital taxonomy
D Artificial intelligence

(2 Marks)

SECTION B

QUESTION 16

Maggs Co is a construction company that prepares its financial statements in accordance with IFRS. The company's year-end is 31 December 20X8.

On 1 March 20X8, Maggs Co signed a fixed-price contract to construct a commercial building for a customer for a total contract price of FRW 850 million. The contract is expected to be completed by 30 June 20X9. The performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefits of Maggs Co's performance.

Due to significant increases in raw material costs and labour shortages, the project manager has revised the estimated total costs to complete the contract as follows:

Cost Category	Original Estimate (FRW Million)	Revised Estimate (FRW Million)
Materials	310	420
Labour	180	260
Overheads	90	110
Total	**580**	**790**

By 31 December 20X8, Maggs Co had incurred costs of FRW 430 million on the contract and had billed the customer FRW 400 million. No cash has yet been received from the customer.

The Finance Director is unsure how this contract should be reflected in the financial statements for the year ended 31 December 20X8.

Required:

a) **Discuss how the contract with the customer should be accounted for in the financial statements of Maggs Co for the year ended 31 December 20X8, applying the requirements of IAS 37 and IFRS 15 where relevant.** (8 Marks)

b) **Identify the TWO criteria that IAS 37 Provisions, Contingent Liabilities and Contingent Assets requires to be met before a provision can be recognised in the financial statements.** (2 Marks)

(10 Marks)

QUESTION 17

Kigali Holdings Ltd is a diversified conglomerate listed on the Rwanda Stock Exchange (RSE) preparing its IFRS financial statements for the year ended 31 December 20X8. The Company has significant financing, investment and operational activities, and several financial reporting matters have arisen that require resolution before the statements can be finalised.

The Chief Financial Officer (CFO) has approached you as the Company's external financial reporting advisor. Three matters relate to the classification and presentation of financial instruments under IAS 32 Financial Instruments: Presentation, and a fourth concerns the depreciation of a right-of-use asset recognised under IFRS 16 Leases. The CFO's memorandum setting out the relevant facts is reproduced below.

MEMORANDUM

To: Financial Reporting Advisor

From: CFO,

Kigali Holdings Ltd

Date: 14 January 20X9

Re: Financial reporting matters - year ended 31 December 20X8

1. Trade receivables

Trade receivables at year-end is FRW 95 million. FRW 12 million is owed by a customer that entered administration in January 20X9 and is considered irrecoverable. No adjustment has been made in the financial records.

2. Bank overdraft

At 31 December 20X8 the Company has a current account balance of FRW 18 million and a bank overdraft of FRW 34 million, both with Bank of Kigali. These have been presented as a net liability of FRW 16 million in the draft financial statements.

3. Ordinary share issue

10 million ordinary shares (par value FRW 10) were issued at FRW 25 per share during 20X8. Issue costs of FRW 8 million have been charged to the statement of profit or loss as an administrative expense.

4. Leased equipment

On 1 January 20X8 the Company entered into a non-cancellable four-year lease for a specialist piece of manufacturing equipment with fair value at commencement of FRW 100 million. The lease has been correctly identified as giving rise to a right-of-use asset under IFRS 16. The present value of the lease payments at commencement was FRW 92 million, and we incurred FRW 3 million in initial direct costs. The underlying asset has an estimated useful life of five years.

I look forward to your response.

Required:

a) **Classify each matter in type of financial instrument under IAS 32 and Correct any errors in the current treatment.** (6 Marks)

b) **Show accounting of leased asset under IFRS 16 and prepare extract financial statement.** (4 Marks)

(10 Marks)

SECTION C

QUESTION 18

Bloo Company is a Rwandan manufacturing group producing industrial equipment and consumer goods. To strengthen its supply chain, Bloo acquired 70% of the share capital in Takk Company, a precision components supplier, on 1 January 20X5. At the date of acquisition, Takk's retained earnings stood at FRW 150 Million.

Statements of financial position as at 31 December 20X8:

	Bloo **FRW Million**	**Takk** **FRW Million**
Non-current assets		
Property, plant & equipment	1,500	1,080
Investment - 70 Million shares in Takk	840	
Current assets		
Inventory	200	130
Trade receivables	100	100
Cash and cash equivalents	60	55
Total assets	**2,700**	**1,365**
Equity		
Share capital (FRW 3 shares)	900	300
Retained earnings	1,530	900
Current liabilities		
Trade payables	150	90
Other current liabilities	120	75
Total equity and liabilities	**2,700**	**1,365**

Additional Information:

1. Bloo paid FRW 840 million for its investment in Takk. The non-controlling interest is to be measured at fair value. The fair value of the NCI at acquisition was FRW 330 million.
2. At acquisition, Takk owned land with a carrying amount of FRW 200 million but a fair value of FRW 260 million. This land is still held at 31 December 20X8. No fair value adjustment has been recorded in Takk's books.
3. At acquisition, Takk had an unrecognised intangible asset with a fair value of FRW 80 million and a remaining useful life of 8 years (straight-line, no residual value).
4. At 31 December 20X8, goodwill was tested for impairment. The recoverable amount of the Takk Cash Generating Unit was determined to be FRW 1500 million. Goodwill has not previously been impaired.
5. On 1 July 20X8, Takk sold a piece of equipment to Bloo for FRW 75 million. The carrying amount in Takk's books at the date of transfer was FRW 50 million. Bloo depreciates such equipment on a straight-line basis over 5 years (no residual value). Both companies have a policy of depreciating assets in the year of acquisition but not in the year of disposal.

Required:

Prepare Bloo group consolidated statement of financial position as at 31 December 20X8.

(Total: 20 Marks)

QUESTION 19

Murali Company specialized in cloths manufacturing. The following are the statements of financial position of Murali Company as at 31 December 20X8 and 20X7, together with the statement of profit or loss for the year ended 31 December 20X8.

Statements of financial position

	20X8 Million FRW	**20X7 Million FRW**
NON-CURRENT ASSETS		
Land and buildings (net)	4,200	3,600
Plant and equipment (net)	2,850	2,400
Intangible assets - development costs	280	350
Total non-current assets	**7,330**	**6,350**
CURRENT ASSETS		
Inventory	620	540
Trade receivables	480	560
Cash and cash equivalents	95	40
Total current assets	**1,195**	**1,140**
TOTAL ASSETS	**8,525**	**7,490**
EQUITY		
Ordinary share capital (FRW 1,000)	3,000	2,500
Share premium	400	200
Revaluation reserve	320	200
Retained earnings	1,780	1,340
Total equity	**5,500**	**4,240**
NON-CURRENT LIABILITIES		
8% Debentures	1,500	2,000
Deferred tax	180	140
Total non-current liabilities	**1,680**	**2,140**
CURRENT LIABILITIES		
Trade payables	840	720
Tax payable	310	260
Accrued debenture interest	60	80
Dividend payable	135	50
Total current liabilities	**1,345**	**1,110**
TOTAL EQUITY AND LIABILITIES	**8,525**	**7,490**

Statement of profit or loss for the year ended 31 December 20X8

	FRW Million	**FRW Million**
Revenue		6,800
Cost of sales		-4,200
Gross profit		**2,600**
Distribution costs	-580	
Administrative expenses	-420	
Loss on disposal of plant	-30	
Profit from operations		**1,570**
Finance costs - debenture interest		-160

Profit before tax			**1,410**
Income tax expense			-390
Profit for the year			**1,020**

Additional Information:

1. During the year, Murali purchased new plant and equipment costing FRW 1,100 million. In addition, a piece of plant was disposed of during the year. It had originally cost FRW 320 million and had accumulated depreciation of FRW 210 million at the date of disposal.
2. Land and buildings were revalued, representing the sole revaluation during the year. The depreciation charge on buildings for the year was FRW 80 million.
3. The development costs intangible asset is being amortised. No new development costs were capitalised during 20X8. The amortisation charge for the year was FRW 70 million.
4. During the year, Murali issued 500,000 ordinary shares at FRW 1,400 each (nominal value FRW 1,000).
5. The income tax expense of FRW 390 million comprises current tax charge of FRW 350 million and deferred tax charge of FRW 40 million
6. Dividends proposed during the year totaled FRW 580 million. Of this, FRW 445 million was paid in cash during 20X8.
7. Depreciation on plant and equipment is included within cost of sales. The depreciation charge for plant and equipment for the year ended 31 December 20X8.

Required:

Prepare Murali Company's statement of cash flows for the year ended 31 December 20X8 in accordance with IAS 7. **(20 Marks)**

QUESTION 20

The following information is taken from the financial statements of Ceral Company:

	20X4 FRW Million	**20X5 FRW Million**
Non-current assets (NBV)	2,400	3,600
Inventories	48	62
Receivables	84	101
Cash and bank	- 50	300
Payables	- 40	- 68
Long-term loans	- 10	- 400
Sales	750	730
Cost of sales	345	328

Required:

a) **Calculate the following ratios for Ceral Company for 20X4 and 20X5:**

i) **Current ratio** (1.5 Marks)
ii) **Quick ratio (acid test ratio)** (1.5 Marks)
iii) **Receivables collection period** (1.5 Marks)
iv) **Payables payment period** (1.5 Marks)

b) **Comment on the liquidity position of Ceral Company based on ratios calculated above.** (4 Marks)

(10 Marks)

End of question paper