



**CERTIFIED PUBLIC ACCOUNTANT
TECHNICAL LEVEL EXAMINATIONS**

I1.3: FINANCIAL ACCOUNTING

DATE: TUESDAY 24, FEBRUARY 2026

MARKING GUIDE AND MODEL ANSWERS

Marking guide

Qn	Ans	Qn	Ans	Qn	Ans	Qn	Ans	Qn	Ans
1	D	2	B	3	D	4	A	5	C
6	A	7	A	8	C	9	B	10	D
11	C	12	C	13	B	14	D	15	B
16	A	17	D	18	C	19	C	20	B
21	D	22	A	23	C	24	D	25	A
26	B	27	C	28	B	29	D	30	A
31	D	32	A	33	A	34	B	35	A
36	C	37	D	38	B	39	A	40	C
41	D	42	B	43	A	44	A	45	D
46	B	47	B	48	C	49	A	50	B

Section A-Marks allocation

2 marks for each collect answer

Total marks for this section

Marks

2

100

Model Answer

Question #	1	
Question type	MC	
Syllabus reference	A5	
Preamble to the question		
Question	Which one of the following are the owners of a limited company?	
Options	A.	Bank
	B.	Employees
	C.	Directors
	D.	Shareholders
Key	D	
Rationale	A.	Incorrect. The shareholders are the owners of a limited company.
	B.	Incorrect. The shareholders are the owners of a limited company.
	C.	Incorrect. The shareholders are the owners of a limited company.
	D.	Correct. The shareholders are the owners of a limited company.

Question #	2	
Question type	MC	
Syllabus reference	A3	
Preamble to the question		
Question	Which one of the following statements is false?	
Options	A.	The Companies Act of a country usually includes content on company registration.
	B.	A limited company that is applying IFRS can ignore the requirements of the Companies Act
	C.	Legislation includes requirements for limited companies to submit audited financial statements by a specified date.
	D.	Legislation requires limited companies to have regular general meetings
Key	B	
Rationale	A.	Incorrect. This statement is true. A Companies Act does usually include content on company registration.
	B.	Correct. This statement is false. Application of IFRS does not remove the requirement to comply with relevant legislation.
	C.	Incorrect. This statement is true. Legislation includes requirements for limited companies to submit audited financial statements by a specified date.
	D.	Incorrect. This statement is true. Legislation does require limited companies to have regular general meetings

Question #	3	
Question type	MC	
Syllabus reference	A5	
Preamble to the question		
Question	Which one of the following describes output that is produced as part of financial accounting activities rather than as part of management accounting?	
Options	A.	Statements containing budget information
	B.	Statements containing forecast information and projections
	C.	Statements designed for internal use
	D.	Statements based on historic information
Key	D	
Rationale	A.	Incorrect. Financial reporting statements look backwards in time, usually over a period of one year.
	B.	Incorrect. Financial reporting statements look backwards in time, usually over a period of one year.
	C.	Incorrect. Financial reporting statements look backwards in time, usually over a period of one year.
	D.	Correct. Financial reporting statements look backwards in time, usually over a period of one year.

Question #	4	
Question type	MC	
Syllabus reference	A4	
Preamble to the question		
Question	Which one of the following is a consultative document issued by the International Accounting Standards Board (IASB) prior to finalising a new standard?	
Options	A.	Exposure Draft
	B.	IASB work plan
	C.	Conceptual Framework
	D.	International Accounting Standard
Key	A	
Rationale	A.	Correct. An Exposure Draft is a consultative document issued by the International Accounting Standards Board (IASB) prior to finalising a new standard.
	B.	Incorrect. An Exposure Draft is a consultative document issued by the International Accounting Standards Board (IASB) prior to finalising a new standard.
	C.	Incorrect. An Exposure Draft is a consultative document issued by the International Accounting Standards Board (IASB) prior to finalising a new standard.
	D.	Incorrect. An Exposure Draft is a consultative document issued by the International Accounting Standards Board (IASB) prior to finalising a new standard.

Question #	5	
Question type	MC	
Syllabus reference	A1	
Preamble to the question		
Question	Which one of the following users of the financial accounting information of a limited company would be particularly interested in knowing about the company's liquidity?	
Options	A.	Government agencies
	B.	The general public
	C.	Suppliers
	D.	Competitors
Key	C	
Rationale	A.	Incorrect. Government agencies are not affected directly by the company's liquidity
	B.	Incorrect. The general public are not affected directly by the company's liquidity
	C.	Correct. Suppliers are affected directly by the company's liquidity, as this impacts on the company's ability to pay invoices on time
	D.	Incorrect. Competitors are not affected directly by the company's liquidity

Question #	6	
Question type	MC	
Syllabus reference	B2	
Preamble to the question		
Question	Which one of the following is a requirement of IAS 1 Presentation of Financial Statements for the preparation of the statement of profit or loss?	
Options	A.	The statement of profit or loss should present expenses either by their function or by their nature
	B.	The statement of profit or loss should present expenses by their function, with a note showing expenses by their nature
	C.	The statement of profit or loss should present expenses by their nature, with a note showing expenses by their function
	D.	The statement of profit or loss should present expenses in order of the amount of expenditure on each type of expense
Key	A	
Rationale	A.	Correct. IAS 1 states that the statement of profit or loss may present expenses either by their function or by their nature.
	B.	Incorrect. IAS 1 states that the statement of profit or loss may present expenses either by function or by nature.
	C.	Incorrect. IAS 1 states that the statement of profit or loss may present expenses either by their function or by their nature.
	D.	Incorrect. IAS 1 states that the statement of profit or loss may present expenses either by their function or by their nature.

Question #	7	
Question type	MC	
Syllabus reference	B3	
Preamble to the question		
Question	Which one of the following would be included in the statement of cash flows under ‘financing activities’?	
Options	A.	Payments of FRW 50 million to repay a bank loan
	B.	A bonus issue of ordinary shares totalling FRW 200 million
	C.	Receipt of FRW 100 million on the sale of a building
	D.	Amortisation charges on development costs
Key	A	
Rationale	A.	Correct. Payments to repay a bank loan are both cash flows and relevant to the financing activities section of the statement.
	B.	Incorrect. A bonus issue does not involve a cash transaction. Payments to repay a bank loan are both cash flows and relevant to the financing activities section of the statement.
	C.	Incorrect. Proceeds from the sale of non-current assets are treated as ‘investing activities’ in the statement. Payments to repay a bank loan are both cash flows and relevant to the financing activities section of the statement.
	D.	Incorrect. Amortisation charges do not involve a cash transaction Payments to repay a bank loan are both cash flows and relevant to the financing activities section of the statement.

Question #	8	
Question type	MC	
Syllabus reference	B1	
Preamble to the question		
Question	Which one of the following is a description of a non-current asset?	
Options	A.	An asset that is held primarily for trading purposes
	B.	An asset that the organisation expects to use in the normal course of their operating cycle
	C.	An asset that is of economic benefit to the organisation for a period in excess of 12 months
	D.	An asset that is either in the form of raw materials or finished goods for re-sale
Key	C	
Rationale	A.	Incorrect. A non-current asset is an asset that is of economic benefit to the organisation for a period in excess of 12 months.
	B.	Incorrect. A non-current asset is an asset that is of economic benefit to the organisation for a period in excess of 12 months.
	C.	Correct. A non-current asset is an asset that is of economic benefit to the organisation for a period in excess of 12 months.
	D.	Incorrect. A non-current asset is an asset that is of economic benefit to the organisation for a period in excess of 12 months.

Question #	9	
Question type	MC	
Syllabus reference	B5	
Preamble to the question		
Question	Which one of the following statements is true of IAS 1 Presentation of Financial Statements?	
Options	A.	IAS 1 requires financial statements to include comparative information for the previous three years
	B.	IAS 1 gives guidance on the minimum information to be included in the financial statements
	C.	IAS 1 allows companies the choice of either publishing a statement of profit or loss, or a statement of cash flows
	D.	IAS 1 provides a detailed template for the format of the statement of financial position that companies are required to follow
Key	B	
Rationale	A.	Incorrect IAS 1 gives guidance on the minimum information to be included in the financial statements
	B.	Correct
	C.	Incorrect IAS 1 gives guidance on the minimum information to be included in the financial statements
	D.	Incorrect IAS 1 gives guidance on the minimum information to be included in the financial statements

Question #	10	
Question type	MC	
Syllabus reference	B6	
Preamble to the question		
Question	Which one of the following is more likely to be a source of funding for a public sector organisation rather than a private sector organisation?	
Options	A.	Fees and charges
	B.	Sale of assets
	C.	Loans
	D.	Donations
Key	D	
Rationale	A.	Incorrect Donations are more likely to be a public sector source
	B.	Incorrect Donations are more likely to be a public sector source
	C.	Incorrect Donations are more likely to be a public sector source
	D.	Correct

Question #	11	
Question type	MC	
Syllabus reference	C3	
Preamble to the question		
Question	Which one of the following describes the process for determining goodwill?	
Options	A.	The cost of the shares acquired, less the fair value of net assets at acquisition, plus impairment to date
	B.	The fair value of the shares acquired, less the cost of net assets at acquisition, less impairment to date
	C.	The cost of the shares acquired, less the fair value of net assets at the date of acquisition, less impairment to date
	D.	The cost of the shares acquired, less the retained assets at the date of acquisition
Key	C	
Rationale	A.	Incorrect Correct description: The cost of the shares acquired, less the fair value of net assets at the date of acquisition, less impairment to date
	B.	Incorrect Correct description: The cost of the shares acquired, less the fair value of net assets at the date of acquisition, less impairment to date
	C.	Correct
	D.	Incorrect Correct description: The cost of the shares acquired, less the fair value of net assets at the date of acquisition, less impairment to date

Question #	12	
Question type	MC	
Syllabus reference	C1	
Preamble to the question		
Question	Which one of the following is defined as ‘an entity that is controlled by another entity?’	
Options	A.	Parent
	B.	Group
	C.	Subsidiary
	D.	Associate
Key	C	
Rationale	A.	Incorrect Subsidiary
	B.	Incorrect Subsidiary
	C.	Correct
	D.	Incorrect Subsidiary

Question #	13	
Question type	MC	
Syllabus reference	C4	
Preamble to the question	Company F owns 25% of the share capital of Company G	
Question	Which of the following best describes Company F's relationship with Company G?	
Options	A.	Subsidiary
	B.	Associate
	C.	Joint venture
	D.	Parent company
Key	B	
Rationale	A.	Incorrect: Subsidiary requires control (usually >50%)
	B.	Correct Associate: significant influence (20%–50%)
	C.	Incorrect Joint venture shared control through agreement
	D.	Incorrect Parent company entity that controls a subsidiary

Question #	14	
Question type	MC	
Syllabus reference	D1	
Preamble to the question		
Question	Which one of the following ratios is used to assess the profitability of a limited company?	
Options	A.	Current ratio
	B.	Gearing ratio
	C.	Asset turnover ratio
	D.	Return on capital employed (ROCE)
Key	D	
Rationale	A.	Incorrect Return on capital employed (ROCE)
	B.	Incorrect Return on capital employed (ROCE)
	C.	Incorrect Return on capital employed (ROCE)
	D.	Correct

Question #	15	
Question type	MC	
Syllabus reference	D2	
Preamble to the question		
Question	Which one of the following is the definition of the quick ratio (or acid test ratio)?	
Options	A.	Current assets / current liabilities
	B.	(Current assets – inventory) / current liabilities
	C.	(Current assets – receivables) / current liabilities
	D.	Bank account balance/ current liabilities
Key	B	
Rationale	A.	Incorrect (Current assets – inventory) / current liabilities
	B.	Correct
	C.	Incorrect (Current assets – inventory) / current liabilities
	D.	Incorrect (Current assets – inventory) / current liabilities

Question #	16	
Question type	MC	
Syllabus reference	D4	
Preamble to the question		
Question	Which one of the following describes the use of ratio analysis in the financial statements of a limited company?	
Options	A.	Ratios can provide deeper understanding of a company's performance, but have a number of limitations
	B.	Liquidity and profitability ratios are required by IFRS to be disclosed in the notes to the financial statements
	C.	Ratios should only be used to predict future profitability
	D.	Ratios are prepared by external auditors to determine whether financial statements are reliable
Key	A	
Rationale	A.	Correct
	B.	Incorrect Ratios can provide deeper understanding of a company's performance, but have a number of limitations
	C.	Incorrect Ratios can provide deeper understanding of a company's performance, but have a number of limitations
	D.	Incorrect Ratios can provide deeper understanding of a company's performance, but have a number of limitations

Question #	17	
Question type	MC	
Syllabus reference	E3	
Preamble to the question		
Question	Which one of the following is true of the retained earnings account of a limited company?	
Options	A.	Retained earnings is a capital reserve and can not be used to distribute to shareholders as dividends
	B.	Retained earnings is a statutory reserve and must always have a credit balance
	C.	The balance on the retained earnings account is shown at the end of the statement of profit or loss
	D.	Retained earnings is a revenue reserve and can be used to distribute to shareholders as dividends
Key	D	
Rationale	A.	Incorrect Retained earnings is a revenue reserve and can be used to distribute to shareholders as dividends
	B.	Incorrect Retained earnings is a revenue reserve and can be used to distribute to shareholders as dividends
	C.	Incorrect Retained earnings is a revenue reserve and can be used to distribute to shareholders as dividends
	D.	Correct

Question #	18	
Question type	MC	
Syllabus reference	E2	
Preamble to the question		
Question	Which one of the following is shown in the statement of profit or loss of a limited company?	
Options	A.	The tax charge for the previous year
	B.	The tax paid in cash during the year
	C.	The estimated tax charge for the current year, adjusted for any over provision or under provision from the previous year
	D.	The estimated tax charge for the current year, less any tax already paid during the year
Key	C	
Rationale	A.	Incorrect The estimated tax charge for the current year, adjusted for any over or under provision from the previous year
	B.	Incorrect The estimated tax charge for the current year, adjusted for any over or under provision from the previous year
	C.	Correct
	D.	Incorrect The estimated tax charge for the current year, adjusted for any over or under provision from the previous year

Question #	19	
Question type	MC	
Syllabus reference	E1	
Preamble to the question		
Question	Which one of the following is true of the treatment of inventory by a limited company, according to IAS 2 Inventories?	
Options	A.	The carrying amount of inventory is recognised as an expense in the period in which the inventory is purchased
	B.	The carrying amount of inventory is recognised as an expense in the period in which the cash is received from the customer
	C.	The carrying amount of inventory is recognised as an expense in the period in which the related revenue is recognised
	D.	The carrying amount of inventory is recognised as an expense in the period in which a contract is signed with a customer
Key	C	
Rationale	A.	Incorrect The carrying amount of inventory is recognised as an expense in the period in which the related revenue is recognised
	B.	Incorrect The carrying amount of inventory is recognised as an expense in the period in which the related revenue is recognised
	C.	Correct
	D.	Incorrect The carrying amount of inventory is recognised as an expense in the period in which the related revenue is recognised

Question #	20	
Question type	MC	
Syllabus reference	E1	
Preamble to the question	On 31 December 20X5, Dino Company had inventory that had cost FRW 1 million. Management expect to be able to sell the inventory for FRW 1.1 million during 20X6, and will need to spend FRW 0.2 million on adapting the goods before they can be sold on the market.	
Question	What is the carrying amount of the inventory, according to IAS 2 Inventories?	
Options	A.	FRW 1 million
	B.	FRW 0.9 million
	C.	FRW 1.1 million
	D.	FRW 0.8 million
Key	B	
Rationale	A.	Incorrect $NRV = 1.1 - 0.2 = 0.9$. This is less than cost of FRW 1 million
	B.	Correct $NRV = 1.1 - 0.2 = 0.9$. This is less than cost of FRW 1 million
	C.	Incorrect $NRV = 1.1 - 0.2 = 0.9$. This is less than cost of FRW 1 million
	D.	Incorrect $NRV = 1.1 - 0.2 = 0.9$. This is less than cost of FRW 1 million

Question #	21											
Question type	MC											
Syllabus reference	E1											
Preamble to the question	<p>The following information relates to inventory that Average Company held on 31 December 20X4:</p> <table><tr><td>Purchase cost</td><td>FRW 12 million</td></tr><tr><td>Delivery cost</td><td>FRW 1 million</td></tr><tr><td>Storage costs</td><td>FRW 0.2 million</td></tr><tr><td>Non-refundable taxes</td><td>FRW 0.5 million</td></tr><tr><td>Administration costs</td><td>FRW 0.1 million</td></tr></table>		Purchase cost	FRW 12 million	Delivery cost	FRW 1 million	Storage costs	FRW 0.2 million	Non-refundable taxes	FRW 0.5 million	Administration costs	FRW 0.1 million
Purchase cost	FRW 12 million											
Delivery cost	FRW 1 million											
Storage costs	FRW 0.2 million											
Non-refundable taxes	FRW 0.5 million											
Administration costs	FRW 0.1 million											
Question	What is the carrying amount for the inventory on 31 December 20X4?											
Options	A.	FRW 13.7 million										
	B.	FRW 12 million										
	C.	FRW 13.8 million										
	D.	FRW 13.5 million										
Key	D											
Rationale	A.	Incorrect $12 + 1 + 0.5 = \text{FRW } 13.5 \text{ million}$										
	B.	Incorrect $12 + 1 + 0.5 = \text{FRW } 13.5 \text{ million}$										
	C.	Incorrect $12 + 1 + 0.5 = \text{FRW } 13.5 \text{ million}$										
	D.	Correct $12 + 1 + 0.5 = \text{FRW } 13.5 \text{ million}$										

Question #	22	
Question type	MC	
Syllabus reference	E1	
Preamble to the question		
Question	Which one of the following would be treated as an adjusting event in a company's financial statements according to IAS 10 Events after the Reporting Date?	
Options	A.	A customer was declared bankrupt one week after the reporting date
	B.	A fire destroyed a large amount of inventory 10 days after the reporting date
	C.	The company announced a major restructuring the day after the reporting date
	D.	There was a decline in the market value of the company's investment in the two weeks after the reporting date
Key	A	
Rationale	A.	Correct
	B.	Incorrect A customer was declared bankrupt one week after the reporting date
	C.	Incorrect A customer was declared bankrupt one week after the reporting date
	D.	Incorrect A customer was declared bankrupt one week after the reporting date

Question #	23	
Question type	MC	
Syllabus reference	E1	
Preamble to the question	<p>The total inventory valuation for Company W on 31 December 20X5 was FRW 85 million.</p> <p>Company W sold an item of inventory for FRW 3 million on 6 January 20X6, and this item of inventory had been included in the total inventory as at 31 December 20X5 at a valuation of FRW 4 million.</p>	
Question	What is the total value of inventory to be included in Company W's statement of financial position as at 31 December 20X5?	
Options	A.	FRW 85 million
	B.	FRW 82 million
	C.	FRW 84 million
	D.	FRW 80 million
Key	C	
Rationale	A.	Incorrect $85 - (4 - 3) = 84$
	B.	Incorrect $85 - (4 - 3) = 84$
	C.	Correct
	D.	Incorrect $85 - (4 - 3) = 84$

Question #	24		
Question type	MC		
Syllabus reference	E1		
Preamble to the question	<p>Company Z purchased equipment during the year to 31 December 20X6 for FRW 200 million. The equipment is expected to have a useful life of 4 years.</p> <p>On 31 December 20X6, none of the FRW 200 million had been paid to the supplier.</p>		
Question	How should the purchase of the equipment be accounted for by Company Z at 31 December 20X6?		
Options	A.	Debit Non-current assets – Equipment FRW 200 million Credit Bank FRW 200 million	
	B.	Debit Inventory FRW 200 million Credit Payables FRW 200 million	
	C.	Debit Inventory FRW 200 million Credit Receivables FRW 200 million	
	D.	Debit Non-current assets – Equipment FRW 200 million Credit Payables FRW 200 million	
Key	D		
Rationale	A.	Incorrect Debit Non-current assets – Equipment FRW 200 million Credit Payables FRW 200 million	
	B.	Incorrect Debit Non-current assets – Equipment FRW 200 million Credit Payables FRW 200 million	
	C.	Incorrect Debit Non-current assets – Equipment FRW 200 million Credit Payables FRW 200 million	
	D.	Correct	

Question #	25	
Question type	MC	
Syllabus reference	<p>Purs Company owns a vehicle that cost FRW 55 million in 20X1.</p> <p>On 30 June 20X5, Purs sold the vehicle for FRW 31 million. At that date, the vehicle had been depreciated by a total of FRW 20 million.</p>	
Preamble to the question	What is the profit or loss on the disposal of the vehicle?	
Question		
Options	A.	FRW 4 million loss
	B.	FRW 35 million loss
	C.	FRW 24 million loss
	D.	FRW 11 million loss
Key	A	
Rationale	A.	<p>Correct</p> <p>Carrying amount = $55 - 20 = 35$</p> <p>$35 - 31 = \text{loss } 4$</p>
	B.	<p>Incorrect</p> <p>Carrying amount = $55 - 20 = 35$</p> <p>$35 - 31 = \text{loss } 4$</p>
	C.	<p>Incorrect</p> <p>Carrying amount = $55 - 20 = 35$</p> <p>$35 - 31 = \text{loss } 4$</p>
	D.	<p>Incorrect</p> <p>Carrying amount = $55 - 20 = 35$</p> <p>$35 - 31 = \text{loss } 4$</p>

Question #	26		
Question type	MC		
Syllabus reference	E1		
Preamble to the question	<p>Remote Company purchased property on 1 January 20X4 for FRW 2,200 million, and spent a further FRW 300 million to get it to a suitable condition for use in the business.</p> <p>The property has an estimated useful life of 50 years, and Remote uses the straight-line method of depreciation for property.</p>		
Question	What amounts will be shown in Remote's statement of financial position as at 31 December 20X5?		
Options	A.	Non-current assets – Property	FRW 2,200 million
		Accumulated depreciation – Property	FRW 88 million
	B.	Non-current assets – Property	FRW 2,500 million
		Accumulated depreciation – Property	FRW 100 million
C.		Non-current assets – Property	FRW 2,500 million
		Accumulated depreciation – Property	FRW 50 million
D.		Non-current assets – Property	FRW 2,200 million
		Accumulated depreciation – Property	FRW 44 million
Key	B		
Rationale	A.	<p>Incorrect</p> <p>Non-current assets – Property FRW 2,500 million</p> <p>Accumulated depreciation – Property FRW 100 million</p> <p>Depreciation over two years = $((2,200 + 300) / 50) * 2 \text{ years} = 100$</p>	
	B.	Correct	
	C.	<p>Incorrect</p> <p>Non-current assets – Property FRW 2,500 million</p> <p>Accumulated depreciation – Property FRW 100 million</p> <p>Depreciation over two years = $((2,200 + 300) / 50) * 2 \text{ years} = 100$</p>	
	D.	<p>Incorrect</p> <p>Non-current assets – Property FRW 2,500 million</p>	

		<p>Accumulated depreciation – Property FRW 100 million</p> <p>Depreciation over two years = $((2,200 + 300) / 50) * 2 \text{ years} = 100$</p>
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Question #	27	
Question type	MC	
Syllabus reference	E1	
Preamble to the question		
Question	Which one of the following would be recognised as an increase in property, plant and equipment, according to IAS 16 Property, Plant and Equipment?	
Options	A.	Purchase of 10 laptop computers by an IT shop, which intends to have them available for sale in the shop immediately. Each laptop cost FRW 1 million.
	B.	Repair work on a company's factory building of FRW 5 million
	C.	Purchase of a new IT system for a company's headquarters offices for FRW 200 million
	D.	Expenditure on research and development of FRW 150 million
Key	C	
Rationale	A.	Incorrect Purchase of a new IT system for a company's headquarters offices for FRW 200 million
	B.	Incorrect Purchase of a new IT system for a company's headquarters offices for FRW 200 million
	C.	Correct
	D.	Incorrect Purchase of a new IT system for a company's headquarters offices for FRW 200 million

Question #	28													
Question type	MC													
Syllabus reference	E1													
Preamble to the question	<p>Even Company acquired a new vehicle on 1 December 20X5.</p> <p>On the same day, Even sold a vehicle that had cost FRW 20 million and had been fully depreciated.</p> <p>The following information is available:</p> <table><thead><tr><th></th><th>FRW million</th></tr></thead><tbody><tr><td>Purchase price</td><td>40.0</td></tr><tr><td>Delivery costs</td><td>0.1</td></tr><tr><td>Non-refundable taxes</td><td>0.4</td></tr><tr><td>Insurance for 1 year</td><td>0.2</td></tr><tr><td>Proceeds from sale of existing vehicle</td><td>2.5</td></tr></tbody></table>			FRW million	Purchase price	40.0	Delivery costs	0.1	Non-refundable taxes	0.4	Insurance for 1 year	0.2	Proceeds from sale of existing vehicle	2.5
	FRW million													
Purchase price	40.0													
Delivery costs	0.1													
Non-refundable taxes	0.4													
Insurance for 1 year	0.2													
Proceeds from sale of existing vehicle	2.5													
Question	What is the increase in the balance on Even’s vehicles asset account once the sale and acquisition have been recorded?													
Options	A.	FRW 40 million												
	B.	FRW 40.5 million												
	C.	FRW 40.7 million												
	D.	FRW 37.5 million												
Key	B													
Rationale	A.	Incorrect $40.0 + 0.1 + 0.4 = 40.5$												
	B.	Correct												
	C.	Incorrect $40.0 + 0.1 + 0.4 = 40.5$												
	D.	Incorrect $40.0 + 0.1 + 0.4 = 40.5$												

Question #	29	
Question type	MC	
Syllabus reference	E1	
Preamble to the question		
Question	Which one of the following is the formula for determining the depreciation charge on a non-current asset using the straight-line method?	
Options	A.	Depreciation charge = (cost of asset + residual value) / number of years
	B.	Depreciation charge = cost of asset x percentage
	C.	Depreciation charge = (cost of asset – accumulated depreciation to date) / number of years
	D.	Depreciation charge = (cost of asset – residual value) / number of years
Key	D	
Rationale	A.	Incorrect Depreciation charge = (cost of asset – residual value) / number of years
	B.	Incorrect Depreciation charge = (cost of asset – residual value) / number of years
	C.	Incorrect Depreciation charge = (cost of asset – residual value) / number of years
	D.	Correct

Question #	30	
Question type	MC	
Syllabus reference	E1	
Preamble to the question		
Question	According to IAS 38 Intangible Assets, which one of the following statements is correct?	
Options	A.	Development costs should be capitalised and recognised as an intangible non-current asset
	B.	Development costs should be charged as an expense in the statement of profit or loss
	C.	Research costs should be capitalised and recognised as an intangible non-current asset
	D.	Research costs should be amortised over their estimated useful life
Key	A	
Rationale	A.	Correct
	B.	Incorrect Development costs should be capitalised and recognised as an intangible non-current asset
	C.	Incorrect Development costs should be capitalised and recognised as an intangible non-current asset
	D.	Incorrect Development costs should be capitalised and recognised as an intangible non-current asset

Question #	31	
Question type	MC	
Syllabus reference	E1	
Preamble to the question		
Question	Which one of the following statements is true, according to IFRS 15 Revenue from Contracts with Customers?	
Options	A.	A transaction price can be determined at a point in time or over a period of time
	B.	A contract can have only one performance obligation
	C.	A contract must be in the form of a written document
	D.	A performance obligation can be satisfied at a point in time or over a period of time
Key	D	
Rationale	A.	Incorrect A performance obligation can be satisfied at a point in time or over a period of time
	B.	Incorrect A performance obligation can be satisfied at a point in time or over a period of time
	C.	Incorrect A performance obligation can be satisfied at a point in time or over a period of time
	D.	Correct

Question #	32	
Question type	MC	
Syllabus reference	E5	
Preamble to the question	<p>Company D acquired non-current assets during the year to 31 December 20X6.</p> <p>The assets cost FRW 2.5 million to purchase, and FRW 0.3 million to install.</p> <p>At 31 December 20X6, Company D had paid for the installation costs in full, but had a capital payable of FRW 1.2 million relating to the asset purchase.</p>	
Question	What is the amount to be shown in the statement of cash flows for the year to 31 December 20X6 for 'Payments to acquire non-current assets'?	
Options	A.	FRW 1.6 million
	B.	FRW 1.3 million
	C.	FRW 2.8 million
	D.	FRW 2.5 million
Key	A	
Rationale	A.	<p>Correct</p> $2.5 + 0.3 - 1.2 = 1.6$
	B.	<p>Incorrect</p> $2.5 + 0.3 - 1.2 = 1.6$
	C.	<p>Incorrect</p> $2.5 + 0.3 - 1.2 = 1.6$
	D.	<p>Incorrect</p> $2.5 + 0.3 - 1.2 = 1.6$

Question #	33	
Question type	MC	
Syllabus reference	E5	
Preamble to the question	Company W uses the indirect method for preparing their statement of cash flows.	
Question	Which one of the following items would be shown as an <u>adjustment</u> to net profit in the cash from operating activities section of the statement?	
Options	A.	Profit on the sale of non-current assets
	B.	Bad debts written off in the period
	C.	Cash proceeds from the sale of non-current assets
	D.	Cash sales in the period
Key	A	
Rationale	A.	Correct
	B.	Incorrect Profit on the sale of non-current assets
	C.	Incorrect Profit on the sale of non-current assets
	D.	Incorrect Profit on the sale of non-current assets

Question #	34	
Question type	MC	
Syllabus reference	E5	
Preamble to the question	<p>Company XH issued shares during the year to 31 December 20X6.</p> <p>At 1 January 20X6, the share premium account balance was FRW 1 million, and on 31 December 20X6 it was FRW 2 million.</p> <p>At 1 January 20X6, the ordinary share capital account balance was FRW 10 million, and on 31 December 20X6 it was FRW 15 million.</p> <p>At 31 December 20X6, all of the new shares had been paid for in full.</p>	
Question	What is the amount to be shown in the Statement of cash flows for the issue of new shares?	
Options	A.	FRW 5 million
	B.	FRW 6 million
	C.	FRW 4 million
	D.	FRW 15 million
Key	B	
Rationale	A.	Incorrect $(15 - 10) + (2 - 1) = 6$
	B.	Correct $(15 - 10) + (2 - 1) = 6$
	C.	Incorrect $(15 - 10) + (2 - 1) = 6$
	D.	Incorrect $(15 - 10) + (2 - 1) = 6$

Question #	35	
Question type	MC	
Syllabus reference	F3	
Preamble to the question	Company H owns 75% of the shares in Company L.	
Question	Which one of the following statements is true regarding the amount for non-controlling interest to be included in the consolidated statement of profit or loss?	
Options	A.	Non-controlling interest is calculated as 25% of Company L's profit after tax
	B.	Non-controlling interest is calculated as 25% of Company H's profit after tax plus 25% of Company L's profit after tax
	C.	Non-controlling interest is calculated as 75% of Company H's profit after tax
	D.	Non-controlling interest is calculated as 75% of Company L's profit after tax
Key	A	
Rationale	A.	Correct
	B.	Incorrect Non-controlling interest is calculated as 25% of Company L's profit after tax
	C.	Incorrect Non-controlling interest is calculated as 25% of Company L's profit after tax
	D.	Incorrect Non-controlling interest is calculated as 25% of Company L's profit after tax

Question #	36	
Question type	MC	
Syllabus reference	F3	
Preamble to the question	On 31 December 20X6, Ard Company acquired 60% of the ordinary shares of Beg Company for FRW 620 million. Beg's net assets totalled FRW 800 million at that date.	
Question	What is the goodwill arising on consolidation?	
Options	A.	FRW 180 million
	B.	FRW 620 million
	C.	FRW 140 million
	D.	FRW 480 million
Key	C	
Rationale	A.	Incorrect Cost of share acquired 620 Net assets acquired (60% x 800) <u>480</u> Goodwill 140
	B.	Incorrect Cost of share acquired 620 Net assets acquired (60% x 800) <u>480</u> Goodwill 140
	C.	Correct
	D.	Incorrect Cost of share acquired 620 Net assets acquired (60% x 800) <u>480</u> Goodwill 140

Question #	37	
Question type	MC	
Syllabus reference	F2	
Preamble to the question	<p>Clansman Company owns 80% of the shares in Jenny Company.</p> <p>On 31 December 20X5 Clansman had FRW 98 million of non-current assets and Jenny had FRW 120 million of non-current assets.</p>	
Question	What is the amount to be included in the consolidated statement of financial position for non-current assets as at 31 December 20X5?	
Options	A.	FRW 98 million
	B.	FRW 174.4 million
	C.	FRW 194 million
	D.	FRW 218 million
Key	D	
Rationale	A.	<p>Incorrect</p> $98 + 120 = 218$
	B.	<p>Incorrect</p> $98 + 120 = 218$
	C.	<p>Incorrect</p> $98 + 120 = 218$
	D.	<p>Correct</p> $98 + 120 = 218$

Question #	38	
Question type	MC	
Syllabus reference	F1	
Preamble to the question	<p>Victor Company controls 75% of Jack Company's ordinary share capital.</p> <p>For the year to 31 December 20X6, Victor's financial statements included revenue of FRW 245 million, and Jack reported revenue of FRW 78 million.</p> <p>During the year, Jack sold goods that cost FRW 10 million to Victor for FRW 25 million.</p>	
Question	What amount will be included for revenue in the consolidated financial statements for 20X6?	
Options	A.	FRW 245 million
	B.	FRW 298 million
	C.	FRW 303.5 million
	D.	FRW 323 million
Key	B	
Rationale	A.	Incorrect $245 + 78 - 25 = 298$
	B.	Correct $245 + 78 - 25 = 298$
	C.	Incorrect $245 + 78 - 25 = 298$
	D.	Incorrect $245 + 78 - 25 = 298$

Question #	39	
Question type	MC	
Syllabus reference	F3	
Preamble to the question	<p>Isa Company acquired 60% of the shares in Winston Company when Winston's retained earnings were FRW 40 million.</p> <p>On 31 December 20X6, Isa had retained earnings of FRW 450 million, and Winston's retained earnings were FRW 200 million.</p>	
Question	What is the amount to be included in the consolidated statement of financial position for retained earnings as at 31 December 20X6?	
Options	A.	FRW 546 million
	B.	FRW 610 million
	C.	FRW 570 million
	D.	FRW 450 million
Key	A	
Rationale	A.	<p>Correct</p> $450 + ((200 - 40) * 60\%) = 546$
	B.	<p>Incorrect</p> $450 + ((200 - 40) * 60\%) = 546$
	C.	<p>Incorrect</p> $450 + ((200 - 40) * 60\%) = 546$
	D.	<p>Incorrect</p> $450 + ((200 - 40) * 60\%) = 546$

Question #	40	
Question type	MC	
Syllabus reference	F2	
Preamble to the question		
Question	Which one of the following statements is true in respect of the presentation of information in the consolidated statement of financial position?	
Options	A.	Goodwill must be calculated on the basis of the historic cost of the assets acquired and consideration paid.
	B.	The consolidated statement of financial position shows share capital including the full amount of both the parent and subsidiary's share capital
	C.	It is not permissible to offset bank overdrafts against cash at bank in the consolidated statement of financial position.
	D.	Non-controlling interest is not included in the consolidated statement of financial position.
Key	C	
Rationale	A.	Incorrect It is not permissible to offset bank overdrafts against cash at bank in the consolidated statement of financial position.
	B.	Incorrect It is not permissible to offset bank overdrafts against cash at bank in the consolidated statement of financial position.
	C.	Correct
	D.	Incorrect It is not permissible to offset bank overdrafts against cash at bank in the consolidated statement of financial position.

Question #	41	
Question type	MC	
Syllabus reference	F3	
Preamble to the question		
Question	Which one of the following is defined as ‘the power to participate in the financial and operating policy decisions of the investee but is not control of those policies’?	
Options	A.	Major shareholding
	B.	Non-controlling interest
	C.	Control
	D.	Significant influence
Key	D	
Rationale	A.	Incorrect Significant influence
	B.	Incorrect Significant influence
	C.	Incorrect Significant influence
	D.	Correct

Question #	42											
Question type	MC											
Syllabus reference	G1											
Preamble to the question	<p>The following information relates to Eric Company for the year to 31 December 20X7:</p> <table><tr><td></td><td>FRW million</td></tr><tr><td>Opening inventory</td><td>28</td></tr><tr><td>Purchases</td><td>142</td></tr><tr><td>Closing inventory</td><td><u>(10)</u></td></tr><tr><td>Cost of sales</td><td><u>160</u></td></tr></table>			FRW million	Opening inventory	28	Purchases	142	Closing inventory	<u>(10)</u>	Cost of sales	<u>160</u>
	FRW million											
Opening inventory	28											
Purchases	142											
Closing inventory	<u>(10)</u>											
Cost of sales	<u>160</u>											
Question	What was Eric’s average inventory days in 20X7 (to the nearest day)?											
Options	A.	41 days										
	B.	43 days										
	C.	23 days										
	D.	64 days										
Key	B											
Rationale	A.	Incorrect $((28 + 10) / 2) / 160 * 365 = 43$										
	B.	Correct $((28 + 10) / 2) / 160 * 365 = 43$										
	C.	Incorrect $((28 + 10) / 2) / 160 * 365 = 43$										
	D.	Incorrect $((28 + 10) / 2) / 160 * 365 = 43$										

Question #	43	
Question type	MC	
Syllabus reference	G2	
Preamble to the question	Tam Company's current ratio was 3:1 in 20X5 and 2.1:1 in 20X6.	
Question	Which one of the following would contribute to the reduction in Tam's current ratio?	
Options	A.	Tam used FRW 50 million from the bank balance to invest in shares in another company during 20X6
	B.	Tam used FRW 20 million from the bank balance to purchase additional inventory during 20X6
	C.	Tam's trade payables were reduced by 40% during 20X6
	D.	Tam revalued some non-current assets by 15% during 20X6
Key	A	
Rationale	A.	Correct
	B.	Incorrect Tam used FRW 50 million from the bank balance to invest in shares in another company during 20X6
	C.	Incorrect Tam used FRW 50 million from the bank balance to invest in shares in another company
	D.	Incorrect Tam used FRW 50 million from the bank balance to invest in shares in another company

Question #	44													
Question type	MC													
Syllabus reference	G1													
Preamble to the question	<p>The following information relates to Prickle Company for the year to 31 December 20X6:</p> <table><tr><td></td><td>FRW million</td></tr><tr><td>Gross profit</td><td>140</td></tr><tr><td>Profit from operating activities</td><td>45</td></tr><tr><td>Shareholders funds</td><td>175</td></tr><tr><td>Non-current liabilities</td><td>50</td></tr><tr><td>Current liabilities</td><td>23</td></tr></table>			FRW million	Gross profit	140	Profit from operating activities	45	Shareholders funds	175	Non-current liabilities	50	Current liabilities	23
	FRW million													
Gross profit	140													
Profit from operating activities	45													
Shareholders funds	175													
Non-current liabilities	50													
Current liabilities	23													
Question	What was Prickle’s return on capital employed (ROCE) for 20X6?													
Options	A.	20%												
	B.	80%												
	C.	62%												
	D.	26%												
Key	A													
Rationale	A.	Correct $45 / (175 + 50) * 100 = 20\%$												
	B.	Incorrect $45 / (175 + 50) * 100 = 20\%$												
	C.	Incorrect $45 / (175 + 50) * 100 = 20\%$												
	D.	Incorrect $45 / (175 + 50) * 100 = 20\%$												

Question #	45	
Question type	MC	
Syllabus reference	H1	
Preamble to the question		
Question	Which one of the following aspects of the accounting function typically deals with information that is required to support decision making?	
Options	A.	Financial accounting
	B.	Treasury management
	C.	Transaction processing
	D.	Management accounting
Key	D	
Rationale	A.	Incorrect Management accounting
	B.	Incorrect Management accounting
	C.	Incorrect Management accounting
	D.	Correct

Question #	46	
Question type	MC	
Syllabus reference	H1	
Preamble to the question		
Question	Which one of the following statements is correct?	
Options	A.	Directors report to customers through the annual general meeting
	B.	The cash book is used to record all receipts and payments transactions
	C.	Organisations can delete financial records once the financial statements are approved
	D.	Outsourcing is where an organisation arranges for tasks to be carried out by the external auditor
Key	B	
Rationale	A.	Incorrect The cash book is used to record all receipts and payments transactions
	B.	Correct
	C.	Incorrect The cash book is used to record all receipts and payments transactions
	D.	Incorrect The cash book is used to record all receipts and payments transactions

Question #	47	
Question type	MC	
Syllabus reference	I1	
Preamble to the question		
Question	Which one of the following describes the use of control accounts in a financial system?	
Options	A.	It is a list of nominal ledger balances shown in debit and credit columns, as a method of testing the accuracy of double-entry bookkeeping
	B.	It can be used to record all receivables in total, and by comparing this total to the total of the individual customer accounts it is possible to check for errors
	C.	It is a control that is exercised by comparing the cash book (the business's bank account) with the bank statement
	D.	It is a temporary account to record the difference between total debits and total credits when the trial balance does not balance
Key	B	
Rationale	A.	Incorrect It can be used to record all receivables in total, and by comparing this total to the total of the individual customer accounts it is possible to check for errors
	B.	Correct
	C.	Incorrect It can be used to record all receivables in total, and by comparing this total to the total of the individual customer accounts it is possible to check for errors
	D.	Incorrect It can be used to record all receivables in total, and by comparing this total to the total of the individual customer accounts it is possible to check for errors

Question #	48	
Question type	MC	
Syllabus reference	I2	
Preamble to the question	Safety Company has a system in place where inventory is physically checked each week to determine whether any inventory has been removed without authorisation.	
Question	Which one of the following describes the type of control being used by Safety Company?	
Options	A.	Preventative control
	B.	Directive control
	C.	Detective control
	D.	Corrective control
Key	C	
Rationale	A.	Incorrect Detective control
	B.	Incorrect Detective control
	C.	Correct
	D.	Incorrect Detective control

Question #	49	
Question type	MC	
Syllabus reference	J4	
Preamble to the question		
Question	Which one of the following describes an ‘integrated system’?	
Options	A.	A system that combines bookkeeping elements with inventory control and sales tracking systems
	B.	A financial accounting system that consists of several computers that are connected to each other
	C.	A system that accesses cloud-based accounting software
	D.	A system that produces electronic invoices automatically
Key	A	
Rationale	A.	Correct
	B.	Incorrect A system that combines bookkeeping elements with inventory control and sales tracking systems
	C.	Incorrect A system that combines bookkeeping elements with inventory control and sales tracking systems
	D.	Incorrect A system that combines bookkeeping elements with inventory control and sales tracking systems

Question #	50																	
Question type	MC																	
Syllabus reference	J1																	
Preamble to the question	<p>Game Company operates an accounting system that enables managers to prepare monthly reports for the Board comparing actual expenditure in the period to the budgeted expenditure.</p> <p>The Board have introduced exception reporting, and have asked that reports only highlight variances of 5% of budget or more.</p> <p>During October 20X6, the following results were recorded:</p> <table><tr><td>FRW million</td><td>Budget</td><td>Actual</td></tr><tr><td>Salaries</td><td>420</td><td>435</td></tr><tr><td>Premises costs</td><td>75</td><td>50</td></tr><tr><td>Insurance</td><td>20</td><td>20</td></tr><tr><td>Repairs and maintenance</td><td>18</td><td>22</td></tr></table>			FRW million	Budget	Actual	Salaries	420	435	Premises costs	75	50	Insurance	20	20	Repairs and maintenance	18	22
FRW million	Budget	Actual																
Salaries	420	435																
Premises costs	75	50																
Insurance	20	20																
Repairs and maintenance	18	22																
Question	Which one of the following sets of the variances should be reported to the Board for October 20X6?																	
Options	A.	Salaries	FRW 15 million (unfavourable)															
		Premises costs	FRW 25 million (favourable)															
		Insurance costs	FRW 0 million															
		Repairs and maintenance	FRW 4 million (unfavourable)															
	B.	Premises costs	FRW 25 million (favourable)															
		Repairs and maintenance	FRW 4 million (unfavourable)															
	C.	Salaries	FRW 15 million (unfavourable)															
		Premises costs	FRW 25 million (favourable)															
D.	Premises costs	FRW 25 million (unfavourable)																
	Insurance costs	FRW 0 million																
Key	B																	
Rationale	A.	Incorrect																
		Premises costs	FRW 25 million (favourable)															
		Repairs and maintenance	FRW 4 million (unfavourable)															
	B.	Correct																
	C.	Incorrect																
Premises costs		FRW 25 million (favourable)																
Repairs and maintenance		FRW 4 million (unfavourable)																

	D.	Incorrect	
		Premises costs	FRW 25 million (favourable)
		Repairs and maintenance	FRW 4 million (unfavourable)