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**CERTIFIED PUBLIC ACCOUNTANT  
TECHNICAL LEVEL EXAMINATION**

**FA1.1 FINANCIAL ACCOUNTING**

**DATE: TUESDAY 24, FEBRUARY 2026**

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**INSTRUCTIONS:**

1. Time allowed: **3 hours**
2. The examination has **50 compulsory** multiple-choice questions equal to **2 marks** each.
3. Candidates must indicate the letter corresponding to the correct option clearly and legibly in the answer booklet. Answers that are unclear, illegible, altered, or written in a manner that is difficult to interpret will not be awarded any marks.
4. Where a question involves computation, candidates may find it helpful to do the relevant calculations before choosing the correct answer letter. However, no marks will be awarded for any written workings.
5. The question paper should not be taken out of the examination room.

### **QUESTION ONE**

**Which one of the following are the owners of a limited company?**

- A Bank
- B Partners
- C Directors
- D Shareholders

**(2 Marks)**

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### **QUESTION TWO**

**Which one of the following statements is false?**

- 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

**(2 Marks)**

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### **QUESTION THREE**

**Which one of the following describes output that is produced as part of financial accounting activities rather than as part of management accounting?**

- A Statements containing budget information
- B Statements containing forecast information and projections
- C Statements designed for internal use
- D Statements based on historic information

**(2 Marks)**

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### **QUESTION FOUR**

**Which one of the following is a consultative document issued by the International Accounting Standards Board (IASB) prior to finalising a new standard?**

- A Exposure Draft
- B IASB work plan
- C Conceptual Framework
- D International Accounting Standard

**(2 Marks)**

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### **QUESTION FIVE**

**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?**

- A Government agencies
- B The general public
- C Suppliers
- D Competitors

(2 Marks)

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#### QUESTION SIX

**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?**

- 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

(2 Marks)

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#### QUESTION SEVEN

**Which one of the following would be included in the statement of cash flows under ‘financing activities’?**

- 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

(2 Marks)

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#### QUESTION EIGHT

**According to IAS 1 *Presentation of Financial Statements*, which of the following best describes a non-current asset?**

- A An asset that is expected to be realised in, or is intended for sale or consumption in, the entity’s normal operating cycle
- B An asset that is held primarily for the purpose of being traded
- C An asset that is not expected to be realised within the entity’s normal operating cycle and is not expected to be realised within twelve months after the reporting period
- D An asset that is held for sale in the ordinary course of business

(2 Marks)

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## **QUESTION NINE**

**Which one of the following statements is true of IAS 1 Presentation of Financial Statements?**

- 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

**(2 Marks)**

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## **QUESTION 10**

**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?**

- A Fees and charges
- B Sale of assets
- C Loans
- D Donations

**(2 Marks)**

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## **QUESTION 11**

**Which one of the following describes the process for determining goodwill?**

- 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

**(2 Marks)**

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## **QUESTION 12**

**Which one of the following is defined as ‘an entity that is controlled by another entity?’**

- A Parent
  - B Group
  - C Subsidiary
-

D Associate

(2 Marks)

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### QUESTION 13

Company F owns 25% of the share capital of Company G

**Which of the following best describes Company F's relationship with Company G?**

- A Subsidiary
- B Associate
- C Joint venture
- D Parent company

(2 Marks)

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### QUESTION 14

**Which one of the following ratios is used to assess the profitability of a limited company?**

- A Current ratio
- B Gearing ratio
- C Asset turnover ratio
- D Return on capital employed (ROCE)

(2 Marks)

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### QUESTION 15

**Which one of the following is the definition of the quick ratio (or acid test ratio)?**

- A Current assets / current liabilities
- B (Current assets – inventory) / current liabilities
- C (Current assets – receivables) / current liabilities
- D Bank account balance / current liabilities

(2 Marks)

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### QUESTION 16

**Which one of the following describes the use of ratio analysis in the financial statements of a limited company?**

- 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

(2 Marks)

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### QUESTION 17

**Which one of the following is true of the retained earnings account of a limited company?**

- A Retained earnings is a capital reserve and cannot 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

**(2 Marks)**

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### QUESTION 18

**Which one of the following is shown in the statement of profit or loss of a limited company?**

- 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.

**(2 Marks)**

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### QUESTION 19

**Which one of the following is true of the treatment of inventory by a limited company, according to IAS 2 Inventories?**

- 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

**(2 Marks)**

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### QUESTION 20

On 31 December 20X5, Dino Company had inventory that had cost FRW 1 million. Management expects 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

**What is the value of the inventory to be included in financial statement as at 31 December 20X5, according to IAS 2 Inventories?**

- A FRW 1 million
- B FRW 0.9 million
- C FRW 1.1 million
- D FRW 0.8 million

**(2 Marks)**

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### **QUESTION 21**

The following information relates to inventory that Average Company held on 31 December 20X4:

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

**What is the carrying amount for the inventory on 31 December 20X4?**

- A FRW 13.7 million
- B FRW 12 million
- C FRW 13.8 million
- D FRW 13.5 million

**(2 Marks)**

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### **QUESTION 22**

**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?**

- 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

**(2 Marks)**

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### **QUESTION 23**

The total inventory valuation for Company W on 31 December 20X5 was FRW 85 million.

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.

**What is the total value of inventory to be included in Company W's statement of financial position as at 31 December 20X5?**

- A FRW 85 million
- B FRW 82 million
- C FRW 84 million
- D FRW 80 million

**(2 Marks)**

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#### **QUESTION 24**

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.

On 31 December 20X6, none of the FRW 200 million had been paid to the supplier.

**How should the purchase of the equipment be accounted for by Company Z at 31 December 20X6?**

- |   |                                      |                 |
|---|--------------------------------------|-----------------|
| 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 |

**(2 Marks)**

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#### **QUESTION 25**

Purs Company owns a vehicle that cost FRW 55 million in 20X1.

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.

**What is the profit or loss on the disposal of the vehicle?**

- A FRW 4 million loss
- B FRW 35 million loss
- C FRW 24 million loss
- D FRW 11 million loss

**(2 Marks)**

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### QUESTION 26

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.

The property has an estimated useful life of 50 years, and Remote uses the straight-line method of depreciation for property.

**What amounts will be shown in Remote's statement of financial position as at 31 December 20X5?**

- |   |                                     |                   |
|---|-------------------------------------|-------------------|
| 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    |

**(2 Marks)**

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### QUESTION 27

**Which one of the following would be recognised as an increase in property, plant and equipment, according to IAS 16 Property, Plant and Equipment?**

- 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

**(2 Marks)**

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### QUESTION 28

Even Company acquired a new vehicle on 1 December 20X5.

On the same day, Even sold a vehicle that had cost FRW 20 million and had been fully depreciated.

The following information is available:

	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

**What is the increase in the balance on Even's vehicles asset account once the sale and acquisition have been recorded?**

- A FRW 40 million
- B FRW 40.5 million
- C FRW 40.7 million
- D FRW 37.5 million

**(2 Marks)**

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**QUESTION 29**

**Which one of the following is the formula for determining the depreciation charge on a non-current asset using the straight-line method?**

- 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

**(2 Marks)**

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**QUESTION 30**

**According to IAS 38 Intangible Assets, which one of the following statements is correct?**

- 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

**(2 Marks)**

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**QUESTION 31**

**Which one of the following statements is true, according to IFRS 15 Revenue from Contracts with Customers?**

- 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

**(2 Marks)**

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**QUESTION 32**

Company D acquired non-current assets during the year to 31 December 20X6.

The assets cost FRW 2.5 million to purchase, and FRW 0.3 million to install.

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.

**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'?**

- A FRW 1.6 million
- B FRW 1.3 million
- C FRW 2.8 million
- D FRW 2.5 million

**(2 Marks)**

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**QUESTION 33**

Company W uses the indirect method for preparing their statement of cash flows.

**Which one of the following items would be shown as an adjustment to net profit in the cash from operating activities section of the statement?**

- 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

**(2 Marks)**

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**QUESTION 34**

Company XH issued shares during the year to 31 December 20X6.

At 1 January 20X6, the share premium account balance was FRW 1 million, and on 31 December 20X6 it was FRW 2 million.

At 1 January 20X6, the ordinary share capital account balance was FRW 10 million, and on 31 December 20X6 it was FRW 15 million.

At 31 December 20X6, all of the new shares had been paid for in full.

**What is the amount to be shown in the Statement of cash flows for the issue of new shares?**

- A FRW 5 million
- B FRW 6 million
- C FRW 4 million
- D FRW 15 million

**(2 Marks)**

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**QUESTION 35**

Company H owns 75% of the shares in Company L

**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?**

- 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

(2 Marks)

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**QUESTION 36**

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

**What is the goodwill arising on consolidation?**

- A FRW 180 million  
B FRW 620 million  
C FRW 140 million  
D FRW 480 million

(2 Marks)

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**QUESTION 37**

Clansman Company owns 80% of the shares in Jenny Company

On 31 December 20X5 Clansman had FRW 98 million of non-current assets and Jenny had FRW 120 million of non-current assets.

**What is the amount to be included in the consolidated statement of financial position for non-current assets as at 31 December 20X5?**

- A FRW 98 million  
B FRW 174.4 million  
C FRW 194 million  
D FRW 218 million

(2 Marks)

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**QUESTION 38**

Victor Company controls 75% of Jack Company's ordinary share capital.

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.

During the year, Jack sold goods that cost FRW 10 million to Victor for FRW 25 million.

**What amount will be included for revenue in the consolidated financial statements for 20X6?**

- A FRW 245 million  
B FRW 298 million  
C FRW 303.5 million  
D FRW 323 million

(2 Marks)

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### QUESTION 39

Isa Company acquired 60% of the shares in Winston Company when Winston's retained earnings were FRW 40 million.

On 31 December 20X6, Isa had retained earnings of FRW 450 million, and Winston's retained earnings were FRW 200 million.

**What is the amount to be included in the consolidated statement of financial position for retained earnings as at 31 December 20X6?**

- A FRW 546 million
- B FRW 610 million
- C FRW 570 million
- D FRW 450 million

**(2 Marks)**

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### QUESTION 40

**Which one of the following statements is true in respect of the presentation of information in the consolidated statement of financial position?**

- 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.

**(2 Marks)**

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### QUESTION 41

**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'?**

- A Major shareholding
- B Non-controlling interest
- C Control
- D Significant influence

**(2 Marks)**

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### QUESTION 42

The following information relates to Eric Company for the year to 31 December 20X7:

	FRW million
Opening inventory	28
Purchases	142
Closing inventory	<u>(10)</u>
Cost of sales	<u>160</u>

**What was Eric's average inventory days in 20X7 (to the nearest day)?**

- A 41 days
- B 43 days
- C 23 days
- D 64 days

**(2 Marks)**

### **QUESTION 43**

Tam Company's current ratio was 3:1 in 20X5 and 2.1:1 in 20X6

**Which one of the following would contribute to the reduction in Tam's current ratio?**

- 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

**(2 Marks)**

### **QUESTION 44**

The following information relates to Prickle Company for the year to 31 December 20X6:

	FRW million
Gross profit	140
Profit from operating activities	45
Shareholders' funds	175
Non-current liabilities	50
Current liabilities	23

**What was Prickle's return on capital employed (ROCE) for 20X6?**

- A 20%
- B 80%
- C 62%
- D 26%

**(2 Marks)**

#### **QUESTION 45**

**Which one of the following aspects of the accounting function typically deals with information that is required to support decision making?**

- A Financial accounting
- B Treasury management
- C Transaction processing
- D Management accounting

**(2 Marks)**

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#### **QUESTION 46**

**Which one of the following statements is correct?**

- 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

**(2 Marks)**

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#### **QUESTION 47**

**Which one of the following describes the use of control accounts in a financial system?**

- 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

**(2 Marks)**

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#### **QUESTION 48**

Safety Company has a system in place where inventory is physically checked each week to determine whether any inventory has been removed without authorization

**Which one of the following describes the type of control being used by Safety Company?**

- A Preventative control
- B Directive control
- C Detective control
- D Corrective control

**(2 Marks)**

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### QUESTION 49

Which one of the following describes an 'integrated system'?

- 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

(2 Marks)

### QUESTION 50

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.

The Board have introduced exception reporting, and have asked that reports only highlight variances of 5% of budget or more.

During October 20X6, the following results were recorded:

FRW million	Budget	Actual
Salaries	420	435
Premises costs	75	50
Insurance	20	20
Repairs and maintenance	18	22

Which one of the following sets of the variances should be reported to the Board for October 20X6?

- 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

(2Marks)

**End of question paper**