ICPAR
Unlimited possibilities

CERTIFIED PUBLIC ACCOUNTANT

OPERATIONAL LEVEL EXAMINATION

FR2.4 FINANCIAL REPORTING

DATE: TUESDAY 24, FEBRUARY 2026

MARKING GUIDE AND MODEL ANSWERS

SECTION A

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

Question #	1	
Key (answer)	D	
Rationale	A.	Incorrect Correct description: ‘Financial information that is capable of making a difference in the decisions made by users’
	B.	Incorrect Correct description: ‘Financial information that is capable of making a difference in the decisions made by users’
	C.	Incorrect Correct description: ‘Financial information that is capable of making a difference in the decisions made by users’
	D.	Correct

Question #	2	
Key (answer)	A	
Rationale	A.	Correct
	B.	Incorrect Correct event: A change in accounting policy
	C.	Incorrect Correct event: A change in accounting policy
	D.	Incorrect Correct event: A change in accounting policy

Question #	3	
Key (answer)	B	
Rationale	A.	Incorrect Correct disclosures: 1. The number of shares authorised, issued and fully paid 2. Descriptions of rights, preferences, and restrictions
	B.	Correct
	C.	Incorrect Correct disclosures: 3. The number of shares authorised, issued and fully paid 4. Descriptions of rights, preferences, and restrictions
	D.	Incorrect Correct disclosures: 2. The number of shares authorised, issued and fully paid 4. Descriptions of rights, preferences, and restrictions

Question #	4	
Key (answer)	D	
Rationale	A.	Incorrect Correct term: Functional currency
	B.	Incorrect Correct term: Functional currency
	C.	Incorrect Correct term: Functional currency
	D.	Correct

Question #	5	
Key (answer)	B	
Rationale	A.	Incorrect Correct statement: ‘Borrowing costs are interest and other costs that an organisation incurs in connection with the borrowing of funds’
	B.	Correct
	C.	Incorrect Correct statement: ‘Borrowing costs are interest and other costs that an organisation incurs in connection with the borrowing of funds’
	D.	Incorrect Correct statement: ‘Borrowing costs are interest and other costs that an organisation incurs in connection with the borrowing of funds’

Question #	6	
Key (answer)	C	
Rationale	A.	Incorrect Correct treatment: Debit Depreciation charge FRW 30 million Credit Accumulated depreciation FRW 30 million
	B.	Incorrect Correct treatment: Debit Depreciation charge FRW 30 million Credit Accumulated depreciation FRW 30 million
	C.	Correct
	D.	Incorrect Correct treatment: Debit Depreciation charge FRW 30 million Credit Accumulated depreciation FRW 30 million

Question #	7	
Key (answer)	D	
Rationale	A.	Incorrect Correct instrument: An equity instrument of another entity
	B.	Incorrect Correct instrument: An equity instrument of another entity
	C.	Incorrect Correct instrument: An equity instrument of another entity
	D.	Correct

Question #	8	
Key (answer)	D	
Rationale	A.	Incorrect Correct valuation: All material purchased on 1 January has been used up. Remaining inventory purchased on 1 July = 2,500 – (1,500 – 1,000) = 2,000 kg * 40,000 = FRW 80 million
	B.	Incorrect Correct valuation: All material purchased on 1 January has been used up. Remaining inventory purchased on 1 July = 2,500 – (1,500 – 1,000) = 2,000 kg * 40,000 = FRW 80 million
	C.	Incorrect Correct valuation: All material purchased on 1 January has been used up. Remaining inventory purchased on 1 July = 2,500 – (1,500 – 1,000) = 2,000 kg * 40,000 = FRW 80 million
	D.	Correct

<table>
<tr><td>Question #</td><td colspan="2">9</td></tr>
<tr><td>Key (answer)</td><td colspan="2">A</td></tr>
<tr><td rowspan="4">Rationale</td><td>A.</td><td>Correct</td></tr>
<tr><td>B.</td><td>Incorrect
Correct steps:
2. Identify performance obligations in the contract with the customer
4. Determine the transaction price</td></tr>
<tr><td>C.</td><td>Incorrect
Correct steps:
2. Identify performance obligations in the contract with the customer
4. Determine the transaction price</td></tr>
<tr><td>D.</td><td>Incorrect
Correct steps:
2. Identify performance obligations in the contract with the customer
4. Determine the transaction price</td></tr>
</table>

<table>
<tr><td>Question #</td><td colspan="2">10</td></tr>
<tr><td>Key (answer)</td><td colspan="2">C</td></tr>
<tr><td rowspan="4">Rationale</td><td>A.</td><td>Incorrect
Correct carrying amount:
The government grant is deducted from the cost of the asset: 325 – 75 = 250.
The net amount of FRW 250 million is depreciated over the useful life: 250/25 = 10.
Carrying amount: 250 – 10 = FRW 240 million</td></tr>
<tr><td>B.</td><td>Incorrect
Correct carrying amount:
The government grant is deducted from the cost of the asset: 325 – 75 = 250.
The net amount of FRW 250 million is depreciated over the useful life: 250/25 = 10.
Carrying amount: 250 – 10 = FRW 240 million</td></tr>
<tr><td>C.</td><td>Correct</td></tr>
<tr><td>D.</td><td>Incorrect
Correct carrying amount:
The government grant is deducted from the cost of the asset: 325 – 75 = 250.
The net amount of FRW 250 million is depreciated over the useful life: 250/25 = 10.
Carrying amount: 250 – 10 = FRW 240 million</td></tr>
</table>

Question #	11		
Key (answer)	B		
Rationale	A.	Incorrect Correct distinction: The distinction between cash-generating and non-cash-generating assets	
	B.	Correct	
	C.	Incorrect Correct distinction: The distinction between cash-generating and non-cash-generating assets	
	D.	Incorrect Correct distinction: The distinction between cash-generating and non-cash-generating assets	

Question #	12	
Key (answer)	D	
Rationale	A.	Incorrect Correct journal entry: Debit Bree's retained earnings FRW 2 million Credit Closing inventory FRW 2 million
	B.	Incorrect Correct journal entry: Debit Bree's retained earnings FRW 2 million Credit Closing inventory FRW 2 million
	C.	Incorrect Correct journal entry: Debit Bree's retained earnings FRW 2 million Credit Closing inventory FRW 2 million
	D.	Correct

Question #	13	
Key (answer)	A	
Rationale	A.	Correct
	B.	Incorrect Correct ROCE: 200 / (520 + 60 + 30) = 33%
	C.	Incorrect Correct ROCE: 200 / (520 + 60 + 30) = 33%
	D.	Incorrect Correct ROCE: 200 / (520 + 60 + 30) = 33%

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

Question	15	
Key (answer)	D	
Rationale	A.	Incorrect Correct statement: It does not dictate how preparers should present their reports
	B.	Incorrect Correct statement: It does not dictate how preparers should present their reports
	C.	Incorrect Correct statement: It does not dictate how preparers should present their reports
	D.	Correct

SECTION B

Marking guide and Model answers

Q16	**Answers**	**Marks**
(a)	Purchase price (less any trade discount) Non-refundable purchase tax and import duties Directly attributable costs of bringing the asset to its location and condition necessary for its operation. Estimated cost of dismantling and removing asset and restoring the site on which it is located	1 1 1 1
(b)	Accounting entries: Debit Non-current asset (50-40) FRW 10 million Debit Accumulated depreciation FRW 20 million Credit Revaluation reserve FRW 30 million	 1 1 1
(c)	Research costs must be charged to profit or loss as an expense in the period in which the expense is incurred. Development costs are capitalised (ie shown as a non-current asset on the statement of financial position) when the criteria set out in IAS 38 are met. Development costs are amortised over the useful life of the asset once production or commercial benefits commence	1 1 1

Q17	**Answers**	**Marks**
(a)	**Contingent liability:** A contingent liability will not be recognised in the financial statements as there is less certainty that it will occur or be settled than is the case for other liabilities such as trade payable. In some circumstances, a contingent liability may need to be disclosed in the notes to the financial statements. **Contingent asset:** Contingent assets are <u>not</u> recognised in the accounts unless virtually certain. If probable (i.e. more than 50% probability), then they are disclosed by a note to the accounts.	 1 1 1 1
(b)	Internal indicators (any two of the following, one mark per indicator):	2

	• Obsolescence • Physical damage • Asset is expected to be disposed • Asset is expected to be taken out of use • Plans to discontinue operation in which the asset is used • Economic performance is lower than expected External indicators (any two of the following): • Decline in market value • Negative changes in technology, markets, economy, or laws • Increases in market interest rates	2
(c)	Recoverable amount is the higher of FV less costs to sell and VIU = FRW 220 million Recoverable amount FRW 220 million is less than carrying amount FRW 250 million, so impairment has taken place and asset must be shown at value of FRW 220 million	1 1

SECTION C

Question 18
Marking guide

	Marks
For Part A-Goodwill, allocate marks as follows	
Goodwill	
Fair value of consideration	1.5
Fair value of NCI	0.5
Share capital	0.5
Share premium	0.5
Retained earning	1
Fair value adjustment	0.5
Impairment	0.5
Sub-total	**5**
Part B-allocate marks as follows	
Group retained earning	
Retained earnings per question well shown of parent, and subsidiary	1
Well shown retained earnings of subsidiary	0.5
Overcharged depreciation due to FV adjustment	0.5
Unrealized profit on stock	0.5

Impairment	0.5
Meat Loss share to group	0.5
Sub-total	**4**
PART-C	
For correct answer presented in the consolidated financial position award marks as follow	
Property, plant and equipment	1
Other Investment	0.5
Goodwill	0.5
Inventory	1
Cash and bank balance	0.5
Receivables	0.5
Share capital of FRW 1 each	1
Share premium	1
Land revaluation reserve	0.5
Retained earnings	0.5
Non-controlling interest	0.5
20% loan notes	0.5
Trade and account payable	0.5
Tax	0.5
NCI Working	
Post-acquisition profit net (12000-10700)*20%	0.5
Over charge depreciation (200*20%)	0.5
Impairment (2320*20%)	0.5
Unrealized profit (400*20%)	0.5
Subs-total Part c	**11**
TOTAL	**20**

Model Answer

A) Goodwill at acquisition

Goodwill	**FRW 000**
Fair value of consideration W1	36,000
Fair value of NCI W1	4,000
	40,000
Net assets	
Share capital	5,000
Share premium	2,300
Retained earning	10,700
Fair value adjustment	(1,200)
	16,800
Goodwill at acquisition	**23,200**
Impairment	(2,320)
Goodwill balance SOFP	**20,880**

Part B-Group retained earning

Group retained earning	**Maize Ltd**	**Meat Ltd**
	FRW 000	**FRW 000**
At reporting	25,000	12,000
At acquisition		(10,700)
Overcharged depreciation due to FV adjustment		200
Unrealized profit on stock		(400)
Impairment		(2,320)
		(1,220)
Meat Ltd's Loss share to group (1,220)*80%	(976)	
Group retained earning bal c/f (SOFP)	24,024	

Part C-Consolidated financial position as at 31 December 2022

	Reference to workings	Balance as at 31 December 2022
		FRW'000
Noncurrent assets		
Property, plant and equipment	25,500+13,900-1,200+200	38,400
Other Investments	27,600-24,000	3600
Goodwill	Part a	20,880
Current assets		
Inventory	12,500+2,400-400	14,500
Cash	4,500+12,400	16,900
Account receivables	750+810	1,560
Total Asset		**95,840**
Equity and liabilities		
Share capital of FRW 1 each	15,000+2,400	17,400
Share premium	3,000+9,600	12,600
Land revaluation reserve		2,500
Retained earnings	Part b	24,024
Non-Controlling interest (W2)		3,756
Non-current liabilities:		
20% loan notes		3,000
Current liabilities		
Trade and account payable	7,000+4,500	11,500
Tax	15,350+5,710	21,060
Total equity and liabilities		**95,840**

Working W1: Consideration transferred

Share capital 3/5*5,000*80%*1	2,400
Share premium 3/5*5,000*80%*4	9,600
Cash payment	24,000
Total Consideration to Acquire Meat Factory	**36,000**
Fair Value of NCI (5000 share*20%*4)	**4,000**
Investment in Meat F Ltd	80%
Non-controlling Interest 20%	
Pre-acquisition profit of Meat Factory Ltd	
Profit at reporting date	12,000
Profit of 4 months from Acquisition to reporting date 3,900*4/12	(1300)
	10,700

Overcharged depreciation due to FV adjustment		200
Unrealized profit on stock -Sales from Meat Ltd to Maize Ltd	2,000*25/125	400

Workings W2
Non-controlling interest

	FRW'000
Non-controlling interest	
Non-controlling interest at acquisition	4,000
Post-acquisition profit net (12000-10700)*20%	260
Over charge depreciation (200*20%)	40
Impairment (2320*20%)	(464)
Unrealized profit (400*20%)	(80)
NCI at year end (SOFP)	**3,756**

QUESTION 19

Q19	**Answers**	**Marks**
(a)	Gross profit margin is the profit margin the company makes on its sales, taking only the direct costs of sales into account. Net profit margin is the profit margin the company makes on its sales, taking into account direct and indirect costs. Average inventory days is the number of days' inventory held on average.	1 1 1
(b)	Gross profit margin has improved by 12% points. This could be explained by, for example: • An increase in selling prices of carpentry products such as Chair • A change in sales mix with more products being sold with a higher margin • A new product introduced with a higher profit margin than other products • A decrease in purchase costs (timbers) due to supplier negotiations • A reduction in production costs caused by more efficient working practices. The company has also seen an improvement in net profit margin of 6% points, but this is not as large an improvement as the change in gross profit margin. This could be explained by, for example: • Factors as discussed above for gross profit margin • An improvement in controls of indirect expenses	1 1 1 1 1

	• One-off expenses which were incurred in 20X7 but not in 20X8. The lengthening inventory turnover period from 20X7 to 20X8 indicates a slowdown in trading, or a build-up in inventory levels. This could be explained by, for example: • A deliberate increase in inventory levels to meet increased customer demand • An increase in buffer stock to ensure against stock-outs • Taking advantage of temporary price reductions or bulk purchase incentives • Reduced wastage *Note – 1 mark should be given for any reasonable explanation for each of the three ratios, and the examples above are not exhaustive.*	1
(c)	Any one of the following (or other reasonable limitations) could be provided: • Financial statements are historic in nature, thus any ratios calculated are based on past rather than future performance • Use of different accounting policies • One-off items that distort results (e.g. a large bad debt) • Definition of ratio used (e.g. ROCE and gearing both have several definitions. • Judgements (e.g. useful life of NCA, allowance for receivables) • Economic conditions (e.g. high inflation) • Seasonal variations (e.g. impact on inventory). • Ratios indicate problems but do not necessarily recommend solutions.	1

QUESTION 20

Q20	**Questions**	**Marks**
	Prepare Donan Company's statement of profit or loss for the year ended 31 December 20X7 and a statement of financial position at that date.	20
#	**Answers**	Marks
	Donan Company statement of profit or loss for the year ended 31 December 20X7	
	FRW million	
	Revenue 3,850	0.5
	Cost of sales (W1) (2,444)	0.5
	Gross profit 1,406	0.5
	Distribution costs (W1) (832)	0.5
	Administration costs (W1) (469)	0.5

			Marks
	Profit from operating activities	105	0.5
	Investment income	20	0.5
	Finance costs (1,000 x 5%)	(50)	0.5
	Profit before tax	**75**	0.5
	Tax expense	0	
	Profit after tax	75	0.5
	Presentation of statement		
	Marking guidance notes:		
	• *Items in bold within statements to be given specific marks as indicated*		
	• *Marks should be awarded for other acceptable ways of presenting, naming, or aggregating items where this is allowed under IFRS (eg allocating depreciation costs to distribution or admin costs rather than cost of sales)*		
	Donan Company statement of financial position as at 31 December 20X7		
	Non-current assets		
	PPE (W2)	3,017	2
	Intangible assets (220-60)	**160**	0.5
	Investments	500	0.5
	Total non-current assets	**3,677**	
	Current assets		
	Inventories	220	0.5
	Trade receivables (400 – 20 – 19) W3	361	0.5
	Total current assets	**581**	
	Total assets	**4,258**	
	Equity and liabilities		
	Share capital 1,800	1,800	1
	Prereference shares	3,00	0.5
	Share premium account	150	0.5
	Revaluation reserve	80	0.5
	Retained earnings (W5)	303	
	Total equity	**2,633**	0.5
	Long-term borrowing	1,000	0.5
	Provisions	40	
	Total non-current liabilities	**1,040**	
	Current liabilities		0.5
	Trade and other payables (395 + 6 + 25 (W4))	426	0.5
	Bank	159	
	Total current liabilities	**585**	
	Total equity and liabilities	**4,258**	
	Note: Final dividend of FRW 50 is proposed		
	Presentation		
	Working 1 (W1)		

		Cost of sales	**Distribution**	**Administration**	
	Opening inventory	186			0.5
	Purchases	820			
	Closing inventory	(220)			0.5
	Production costs	1,050			
	Administration costs			420	
	Distribution costs		832		
	Research costs	60			
	Provision			40	
	Bad debt			20	
	Allowance for receivables (W3)			(11)	
	Depreciation – buildings (W2)	145			
	Depreciation – plant and machinery (W2)	172			
	Depreciation – vehicles (W2)	231			
	Total	**2,444**	**832**	**469**	

W2:

Building depreciation	(3,500 – 600) x 5% =		**145**	0.5
P&M depreciation	(1,200 – 340) x 20% =		**172**	0.5
Vehicles depreciation	925 x 25% =		**231**	0.5

Land:	600 – 0	600	
Buildings:	2,900 – (1,300 + 145)	1,455	
P&M	1,200 – (340 + 172)	688	
Vehicles	925 – (420 + 231)	274	
Total		**3,017**	

W3:

Net receivables	400 – 20	380	
Allowance 31/12/X7	380 x 5%	19	0.5
Allowance 1/1/X7		(30)	0.5
Decrease to profit or loss		(11)	0.5

W4:

Preference dividend payable	300 x 4%	12	0.5
Accrued dividend	12 – 6 already paid	6	0.5
Debenture interest payable	1,000 x 5%	50	
Accrued interest	50 – 25 paid	25	0.5

W5:

Retained earnings 1/1/X7	260	
Add profit for year	75	0.5
Less dividends (20 + 12)	(32)	0.5
Retained earnings 31/12/X7	303	

End of Marking guide and Model Answers