ICPAR
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CERTIFIED PUBLIC ACCOUNTANT

OPERATIONAL LEVEL EXAMINATIONS

FR2.4 FINANCIAL REPORTING

DATE: TUESDAY, 24 FEBRUARY 2026

INSTRUCTIONS:

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

SECTION A

QUESTION ONE

Which one of the following describes 'relevant information', one of the qualitative characteristics listed in the IASB's Conceptual Framework?

A Financial information that is complete, neutral, and free from error
B Financial information that different knowledgeable and independent observers could reach consensus on
C Financial information that is only available to shareholders of a limited company
D Financial information that is capable of making a difference in the decisions made by user

(2 Marks)

QUESTION TWO

Which one of the following events will be shown in the Statement of Changes in Equity as a retrospective adjustment?

A A change in an accounting policy
B A dividend payment
C A change in an accounting estimate
D An issue of shares

(2 Marks)

QUESTION THREE

Consider the following in the context of financial statement disclosures for share capital and reserves:

1. The number of shares authorized, issued and fully paid
2. The names of all shareholders
3. Descriptions of rights, preferences, and restrictions
4. Current market values

Which TWO of these does IAS 1 require to be disclosed in a prominent position within the financial statements?

A 1 and 2
B 1 and 3
C 3 and 4
D 2 and 4

(2 Marks)

QUESTION FOUR

Which one of the following, according to IAS 21 the Effects of Changes in Foreign Exchange Rates, is the currency of the primary economic environment in which the entity operates?

A Presentation currency
B National currency
C Transactional currency
D Functional currency

(2 Marks)

QUESTION FIVE

Which one of the following statements is true according to IAS 23 Borrowing Costs?

A Borrowing costs that are indirectly attributable to the acquisition, construction or production of a qualifying asset should be capitalized
B Borrowing costs are interest and other costs that an organisation incurs in connection with the borrowing of funds
C A qualifying asset is an asset that is constructed within a 12-month period
D When funds are borrowed generally, rather than for a specific asset, they cannot be capitalised

(2 Marks)

QUESTION SIX

Company W Ltd uses the cost model to account for investment properties.

On 31 December 20X5, an investment property had a carrying value of FRW 120 million. The remaining useful life of the property is estimated to be 4 years, depreciated on a straight-line basis.

On 31 December 20X6, the fair value of the property is FRW 140 million.

How should Company W account for the depreciation of the investment property for the year to 31 December 20X6?

A There should be no depreciation charged during the year as the property has increased in value

B	Debit	Depreciation charge	FRW 35 million
	Credit	Revaluation reserve	FRW 35 million
C	Debit	Depreciation charge	FRW 30 million
	Credit	Accumulated depreciation	FRW 30 million
D	Debit	Depreciation charge	FRW 35 million
	Credit	Accumulated depreciation	FRW 35 million

(2 Marks)

QUESTION SEVEN

Which one of the following meets the definition of a financial asset in the financial statements of a limited company, according to IAS 32 Financial Instruments: presentation?

A Work in progress
B Bank overdraft
C Ordinary shares issued by the company
D An equity instrument of another entity

(2 Marks)

QUESTION EIGHT

Company Q purchased 1,000 kg of material K at a price of FRW 30,000 per kg on 1 January 20X6, and a further 2,500 kg at a price of FRW 40,000 per kg on 1 July 20X6.

During the year to 31 December 20X6, Company Q used 1,500 kg of material K.
There was no inventory of material K on 1 January 20X6.
Company Q uses the First-In, First-Out (FIFO) method of valuation for inventory.

What is the value of the inventory of material K held by Company Q on 31 December 20X6?

A FRW 100 million
B FRW 60 million
C FRW 75 million
D FRW 80 million

(2 Marks)

QUESTION NINE

Consider the following actions:

1. Advertise product for sale to customer
2. Identify performance obligations in the contract with the customer
3. Receive cash payment from the customer
4. Determine the transaction price
5. Create income code in financial system

Which TWO of the actions above are listed as steps in the five-step model in IFRS 15 Revenue from Contracts with Customers?

A 2 and 4
B 1 and 3
C 2 and 3
D 4 and 5

(2 Marks)

QUESTION 10

On 1 January 20X6, Company D acquired an asset at a cost of FRW 325 million, and the asset is estimated to have a useful life of 25 years.

The company received a government grant of FRW 75 million to purchase the asset. Company D uses the reduced asset approach to account for government grants.

What is the carrying value of the asset on 31 December 20X6?

A FRW 250 million
B FRW 315 million
C FRW 240 million
D FRW 312 million

(2 Marks)

QUESTION 11

The IPSAS set of standards for the public sector includes two standards on impairment of non-current assets. The two standards distinguish between two different types of asset**.**

Which of the following distinctions marks the main difference between IPSAS 21 and IPSAS 26?

A The distinction between tangible and intangible assets
B The distinction between cash-generating and non-cash-generating assets
C The distinction between assets with finite lives and assets with infinite lives
D The distinction between purchased and leased assets

(2 Marks)

QUESTION 12

Bree Company owns 75% of the shares in Lach Company.

During 20X8, Bree sold goods at a profit of FRW 2 million to Lach. At the end of the year, Lach still had all of these goods in inventory.

Which of the following is the correct journal entry for preparing consolidated statement of financial position for Bree Company for 20X8?

A Debit Lach's retained earnings FRW 2 million
Credit Closing inventory FRW 2 million

B Debit Receivables FRW 4 million
Credit Bree's retained earnings FRW 4 million

C Debit Lach's retained earnings FRW 2 million
Credit Goodwill FRW 2 million

D Debit Bree's retained earnings FRW 2 million
Credit Closing inventory FRW 2 million

(2 Marks)

QUESTION 13

The following information is taken from the financial statements of Poort Company for the year to 31 December 20X8:

	FRW million
Profit before interest and tax	200
Profit after tax	80
Ordinary share capital	520
Retained earnings	60
Debentures	30

What was the return on capital employed (ROCE) of Poort Company for the year to 31 December 20X8?

A 33%
B 46%
C 13%
D 35%

(2 Marks)

QUESTION 14

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

Which one of the following relates to work on application questions about IFRSs, in which the IASB develops narrow scope amendments to the standards where necessary?

A Research projects
B Maintenance projects
C Standard-setting projects
D Taxonomy projects

(2 Marks)

QUESTION 15

Which one of the following statements is true of the IFRS Accounting Taxonomy?

A It prescribes the format and layout of financial statements
B It is only applicable to small and medium sized enterprises
C It is a disclosure checklist
D It does not dictate how preparers should present their reports

(2 Marks)

SECTION B

QUESTION 16

a) Under IAS 16 Property, Plant, and Equipment (PPE), assets are initially measured at cost. **Identify the FOUR types of cost that IAS 16 allows to be included in this initial valuation of PPE.**

(4 Marks)

b) Company M has an asset that on 31 December 20X7 had a cost of FRW 40 million and had been depreciated by FRW 20 million. On 31 December, the company decided to revalue the asset to its market value of FRW 50 million, with accumulated depreciation of zero.

Required: reliably

Explain how this revaluation should be recorded in the financial records of Company M.

(3 Marks)

c) **Describe briefly the accounting treatment required under IAS 38 Intangible Assets in respect of research costs and development costs**. (3 Marks)

(**10 Marks)**

QUESTION 17

a) **Explain the accounting treatment of the following items, as required by IAS 37 Provisions, Contingent Liabilities and Contingent Assets**:

i) A contingent liability
ii) A contingent asset

(4 Marks)

b) IAS 36 Impairment of Assets requires a company to test for impairment if there are indications that an impairment may have occurred.

Required:

Give two examples of each of the following types of indicator:

i) Internal indicators
ii) External indicators

(4 Marks)

c) Company Q has an asset that has the following values:

Carrying amount	FRW 250 million
Fair value less disposal costs	FRW 220 million
Value in use	FRW 210 million

Required:

According to IAS 36 Impairment of Assets, what is the value that the asset should be shown at in the financial statements? **(2 Marks)**

(**10 Marks)**

SECTION C

QUESTION 18

Below are the separate financial statements of Maize Factory Group, and one investee companies which also operate in the same industry as the investor entity.

Statements of financial position as at 31 December 2022

	Maize Factory Ltd	**Meat Factory Ltd**
	FRW 000	**FRW 000**
Non-current asset		
Property, plant and equipment	25,500	13,900
Investments	27,600	0
Current assets		
Inventory	12,500	2,400
Cash	4,500	12,400
Receivables	750	810
Total Asset	**70,850**	**29,510**
Equity		
Share capital of FRW 1 each	15,000	5,000
Share premium	3,000	2,300
Land revaluation reserve	2,500	
Retained earnings	25,000	12,000
Non-current liabilities:		
20% loan notes	3,000	0
Current liabilities		
Trade and accounts payable	7,000	4,500
Tax	15,350	5,710
Total equity and liabilities	**70,850**	**29,510**

Additional information:

1) On 1 September 2022, Maize Factory Ltd acquired 80% of the equity share capital of Meat Factory Ltd. The consideration consisted of two elements:

i) A share exchange of three shares in Maize Factory Ltd for every five acquired shares in Meat Factory Ltd and

ii) The cash payment of FRW 6 for each share acquired in Meat Factory Ltd.

The share issue has not yet been recorded by Maize Factory Ltd, but the cash payment has been recorded. At the date of acquisition, shares in Maize Factory Ltd had a market value of FRW 5 each, and the shares of Meat Factory Ltd had a stock market price of FRW 4 each.

2) At the date of acquisition, the fair values of Meat Factory Ltd's assets were equal to their carrying amounts, except for its property. This property has a fair value of FRW1.2 million below its carrying amount. The effect of the fair value would lead to a reduction of the depreciation charge (in cost of sales) of FRW 200,000 in the post-acquisition period. Meat Factory Ltd has not incorporated this value change into its separate financial statements.

3) Sales from Meat Factory Ltd to Maize Factory Ltd throughout the year ended 31 December 2022 was FRW12 million. Meat Factory Ltd made a mark-up on the cost of 25% on these sales. At year-end, Maize Factory Ltd had FRW 2 million at an invoice price of these inventories supplied by Meat Factory Ltd.

4) Maize Factory Ltd's policy is to value the non-controlling interest at fair value at the date of acquisition. For this purpose, Meat Factory Ltd's share price at that date can be deemed to be representative of the fair value of the shares held by the non-controlling interest.

5) Goodwill was tested at the end of the year, and 10% of the Goodwill related to the acquisition of Meat Factory Ltd was impaired.

6) The summarized statement of profit or loss for the year ended 31 December 2022 of Maize Factory Ltd and their investees companies are shown below:

	Maize Ltd	**Meat Ltd**
	FRW 000	**FRW 000**
Operating profit before tax	13,900	5,400
Income tax	(3,900)	(1,500)
Profit for the year	10,000	3,900
Dividend	0	0

Required:

Prepare,

a) Goodwill arising on the acquisition of Meat Factory Ltd (5 Marks)

b) Group retained earnings as at 31 December 2022 (4 Marks)

c) The consolidated statement of financial position for Maize Factory Ltd Group as at 31 December 2022. (11 Marks)

Note: Show all the workings appropriately

(Total: 20 Marks)

QUESTION 19

The following information has been prepared using the financial statements of Pootan Company, which specializes in carpentry products:

Year ended 31 December	**20X8**	**20X7**
Gross profit margin	50%	38%
Net profit margin	10%	4%
Average inventory days	8.3	5.6

Required:

a) For each of the ratios above (i.e. gross profit margin, net profit margin, and average inventory days), **describe what the ratios shows.** (3 Marks)

b) **Comment on the performance of Pootan as shown by the three ratios, and give ONE possible reasons for each of these results.** (6 Marks)

c) **Identify ONE limitation of the use of ratios to assess a company's financial performance.**

(1 Marks)

(10 Marks)

QUESTION 20

The trial balance below is extracted from the accounts of Donan Company as at 31 December 20X7, before the statement of profit or loss and the statement of financial position are prepared.

	Debit	**Credit**
	FRW million	**FRW million**
Sales revenue		3,850
Inventory (1 January 20X7)	186	
Purchases	820	
Production costs	1,050	
Distribution costs	832	
Administrative expenses	420	
Dividends received		20
Research and development	220	
Share premium account		150
Revaluation reserve		80
Interim dividends paid:		
Ordinary	20	
Preference	6	
Debenture interest paid	25	
Ordinary shares (FRW 1,000)		1,800
Preference shares (4%)		300
5% Debentures		1,000
Investments (non-current)	500	
Retained earnings (1 January 20X7)		260
Land and buildings (revalued)	3,500	
Plant and equipment (cost)	1,200	
Vehicles (cost)	925	

Trade receivables and payables	400	395
Allowance for receivables		30
Accumulated depreciation:		
Land and buildings		1,300
Plant and equipment		340
Vehicles		420
Cash and bank		159
Total	**10,104**	**10,104**

Additional information:

1. The allowance for receivables is to be adjusted to represent 5% of total receivables after any bad debts have been written off.
2. Closing inventory is valued at FRW 220 million.
3. Donan's policy in respect of depreciation of non-current assets is as follows:
   i) Land included in land and buildings, with a value of FRW 600 million, is not depreciated.
   ii) Buildings are depreciated at 5% per annum on revalued amount.
   iii) Plant and equipment are depreciated at 20% per annum on reducing balance.
   iv) Vehicles are depreciated at 25% per annum on cost.
   v) All depreciation is charged as an expense against Cost of Sales.
4. A final ordinary dividend of FRW 50 million is proposed. The outstanding preference dividend was declared before the statement of financial position date and is therefore to be treated as a liability.
5. At 31 December 20X7, the company was involved in a legal action. The probable outcome is that Donan will have to make a payment of FRW 40 million.
6. The research and development costs have been incurred on two projects.
   i) One project has incurred expenditure of FRW 160 million. It is to be implemented in the next 6 months, and it will increase the profitability of the company.
   ii) The other project cost FRW 60 million. The company management have concluded that they will be unable to acquire the necessary resources to take the project any further.
   iii) Donan's policy is to write off any expenses from research and development activities (where these cannot be capitalised) to Cost of Sales.
7. The following events occurred after 31 December 20X7:

- A customer owing FRW 20 million was declared bankrupt on 14th January 20X8.
- A fire in the company warehouse on 31 January 20X8 destroyed inventory valued at FRW 5 million.

Required:

Prepare Donan Company's statement of profit or loss for the year ended 31 December 20X7 and the statement of financial position at that date. (20 Marks)

End of question paper