
CERTIFIED ACCOUNTING TECHNICIAN

LEVEL 1 EXAMINATIONS

L1.1: INTRODUCTION TO FINANCIAL ACCOUNTING

MONDAY: 30 NOVEMBER 2015

INSTRUCTIONS:

1. **Time Allowed: 3 hours 15minutes**(15 minutes reading and 3hours writing).
2. This examination has **two** sections; **A & B**.
3. Section **A** has **one** compulsory question to be attempted.
4. Section **B** has **four** questions, **three** questions to be attempted.
5. Marks allocated to each question are shown at the end of the question.
6. Show all your workings.
7. Any assumptions made must be clearly and concisely stated.

SECTION A

This section has one compulsory question

QUESTION ONE

- (a) The following balances were extracted from the books of Gatsata Enterprise for the year ending 31 December, 2014:

	Frw '000'
Sales	3,150,000
Purchases	3,100,000
Sales returns	200,000
Purchases returns	550,000
Carriage inwards	250,000
Carriage outwards	40,000
Discounts received	250,000
Discounts allowed	50,000
Rent & rates	90,000
Salaries & wages	85,000
Insurance	50,000
Bad debts	80,000
Advertising	50,000
Accumulated depreciation:	
Buildings	250,000
Plant & machinery	450,000
Motor vehicle	150,000
Buildings	600,000
Plant and machinery	550,000
Motor vehicles	350,000
Inventory / January, 2014	250,000
Trade accounts receivable	175,000
Trade accounts payable	270,000
Cash in hand	160,000
Cash at bank	540,000
Capital	1,245,000
Retained earnings	270,000
Drawings	165,000
Long-term bank loan	200,000

Additional information:

- Closing inventory as at 31 December, 2014 was valued at Frw 550 Million.
- The company depreciates its buildings, plant & machinery and motor vehicles at 10% per annum on a straight line basis.
- Long-term bank loan interest amounting to Frw 12 Million remained outstanding by year end.

REQUIRED:

Prepare for Gatsata Enterprise for the year ended 31 December, 2014, a:

- (i) Trial balance excluding additional information, (8 Marks)
- (ii) Statement of Profit or loss, (12 Marks)
- (iii) Statement of Financial position. (8 Marks)

(b) Explain the following terminologies as used in accounting:

- (i) Asset (2 Marks)
- (ii) Liability (2 Marks)
- (iii) Income (2 Marks)
- (iv) Expenses (2 Marks)
- (v) Capital (2 Marks)

(c) Explain the following ethical principles as they relate to accountants:

- (i) Integrity (1 Mark)
- (ii) Objectivity. (1 Mark)

(Total 40 Marks)

SECTION B

Attempt three of the four questions in this section.

QUESTION TWO

- (a) The following transactions, which took place during the month of January, 2015 relate to Eugene Habyarimana, a sole proprietor in Kigali.

1	Started business with Frw 180 Million cash obtained from family and friends which he deposited into the business bank account.
2	Paid Frw 6 Million towards rent for the first six months of business operation by cheque.
3	Incurred installation costs of Frw 2 Million for fixtures and fittings for the business premises paying by cheque
4	Purchased goods Frw 5 Million from Janet Mukankusi payable at a future date.
5	Withdrew Frw 15 Million cash to clear personal hospital bills.
6	Purchased office equipment Frw 3.5 Million paying in cash.
7	Received cash Frw 6.5 Million from sale of goods.
8	Paid Janet Mukankusi Frw 5 Million by cheque for goods previously purchased on credit.

REQUIRED:

Prepare journal entries to record the above transactions, ignoring narrations.

(8 Marks)

(b) The following transactions related to Mrs. Kamali, a businesswoman at Gatuna.

- 1 Goods worth Frw 30 Million purchased from Ms. Janet on credit were credited to the purchases account but the corresponding entry in Ms. Janet account was correctly posted.
- 2 Sold goods Frw 25 Million to Gikondo Enterprise on credit. However, the transaction was recorded as Frw 52 Million in the sales day book although it was correctly treated in Gikondo Enterprise's account.
- 3 Purchases returns to Ms. Janet Frw 3 Million were not recorded in the purchases returns book but the account of Ms. Janet was duly debited with the correct amount.

REQUIRED:

Prepare journal entries and a suspense account to correct the above errors.

(5 Marks)

(c) Identify any two uses of the general journal (journal proper).

(5 Marks)

(d) Explain any two roles of a Management Accountant in an organisation.

(2 Marks)

(Total 20 Marks)

QUESTION THREE

(a) Francis Munyaneza a sole trader in Kigali. The following are some of his transactions that took place during the year ended 31 July, 2015:

1	Started business with Frw 170 Million cash.
2	Deposited cash amounting to Frw 70 Million into the business bank account.
3	Bought goods from Jean Frw 80 Million paying half by cheque and the balance to be paid later.
4	Bought a computer Frw 4 Million by cheque to be used in the office for business purposes.
5	Paid rent for the whole year Frw 10 Million by cash
6	Paid cash Frw 40 Million for the goods previously purchased on credit from Jean.
7	Withdrew cash Frw 5 Million from the business bank account for office imprest.
8	Paid staff salaries Frw 12 Million cash.
9	Purchased goods Frw 24 Million on credit from Bizimana.
10	Took cash Frw 2 Million for personal use.
11	Made a part payment by cheque Frw 12 Million to Bizimana for goods previously purchased on credit.

REQUIRED:

Using the above information, prepare Francis Munyaneza's cash book. (12 Marks)

(b) State any two reasons why it is important for an organization to prepare a bank reconciliation. (4 Marks)

(c) Identify any two reasons why a cash book balance may differ from a bank statement balance. (4 Marks)

(Total 20 Marks)

QUESTION FOUR

(a) The following transactions were recorded for Pembe Traders for the month of August, 2015:

Date	Transaction	Frw '000'
1	Accounts receivable bal b/f	45,000
2	Accounts payable bal b/f	25,000
3	Credit sales	75,000
4	Returns inwards	12,000
5	Credit purchases	68,000
6	Returns outwards	14,500
7	Bad debts written off for the month	3,100
8	Cash received from credit customers	53,000
9	Cash payments to credit suppliers	34,000
10	Cash discounts received	9,000
11	Cash discounts allowed	6,500
12	Cheque payment to suppliers	8,000

REQUIRED:

(i) Accounts receivable control account (6 Marks)

(ii) Accounts payable control account (6 Marks)

(b) Describe the use of the following books of prime entry:

(i) Sales journal (2 Marks)

(ii) Purchases journal (2 Marks)

(iii) Returns inwards journal (2 Marks)

(iv) Returns outwards journal (2 Marks)

(Total 20 Marks)

QUESTION FIVE

- a) During the financial year ended December, 2014, Namera Ltd, a construction company based in Gisenyi was awarded a contract to upgrade the road between Gatuna and Kigali. In the year up to 31 December, 2015 the company incurred the following costs on the contract:

1	Purchased a fork lift and other construction machinery Frw 180 Million to be used in this construction project.
2	Constructed an accommodation house for the staff working on the project and office unit valued at Frw 24 Million
3	Procured 3 double cabin cars to transport staff while in the field valued at Frw 53 Million
4	Incurred Frw 18 Million as fuel cost for the vehicles and machinery on the road project.
5	Repair costs for the machines and vehicles during the year amounted to Frw 10 Million
6	Incurred Frw 4 Million to procure a replacement engine for one of the double cabins.
7	Frw 7 Million was spent on payment for casual labourers during the year.
8	Staff salaries and wages during the year were amounted to Frw 11 Million.
9	Cost of electricity relating to machinery on the project amounted to Frw 4 Million.
10	Cost of an extension to the office block amounted to Frw 9 Million.

REQUIRED:

Compute the amount of capital and revenue expenditure on the contract by Namera Ltd for the year ended 31 December, 2015. **(10 Marks)**

(b) Explain any three roles an accountant plays in an organization. **(6 Marks)**

(c) Identify any four causes of depreciation. **(4 Marks)**

(Total 20 Marks)

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