INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF RWANDA
Driving Sustainable Performance

Associate of IFAC

CERTIFIED PUBLIC ACCOUNTANT

FOUNDATION LEVEL 1 EXAMINATIONS

F1.3: FINANCIAL ACCOUNTING

WEDNESDAY: 2 DECEMBER 2015

INSTRUCTIONS:

1. **Time Allowed: 3 hours 15 minutes** (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.

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SECTION A

This section has one compulsory question

QUESTION ONE

a) State three reasons why a business may have incomplete records. **(3 Marks)**

(b) Uwamahoro runs a shop in Nyamirambo. She does not keep records on double entry; rather she prefers to record her transactions in an exercise book. The following information relates to her business for the year to 30 June 2015.

1 Cash sales amounted to Frw 400,000. During the year to 30 June 2015, Uwamahoro received a total of Frw 600,000 cash from debtors and confirmed that an amount of Frw 110,000 was irrecoverable from debtors and should be written off. She also issued credit notes amounting to Frw 34,000 to customers.

2 Withdrew Frw 165,000 from the business bank account and put it in the business cash till.

3 Made payments of Frw 105,000 cash to suppliers. She also made purchases paying by cheque Frw 340,000 and received credit notes of Frw 85,000 from her suppliers.

4 Inventory worth Frw 10,000 was destroyed by fire slightly before the year end.

5 Secured 18% bank loan Frw 1,800,000 on 31 March 2015. Interest on the loan accrued evenly during the year and had not yet been paid by 30 June 2015.

6 Deposited cash collected Frw 100,000 in the business bank account.

7 Incurred the following expenses for the period in cash: electricity Frw 12,000, wages Frw 20,000, airtime Frw 5,000. The following were effected through the business bank account; rent Frw 100,000, bank charges Frw 9,800. Some expenses were incurred in cash but could not be remembered.

8 Bought an additional refrigerator Frw 600,000 on 1 January 2015 paying in cash.

9 Withdrew some money from the business bank account for personal use but does not exactly remember how much.

10 The following balances are relevant;

	30 June 2015	30 June 2014
	Frw '000'	Frw '000'
Furniture (NBV)	2,000	2,200
Computer (cost)	500	500
Refrigerator (cost)	1,000	400
Inventory	100	120
Payables	200	170
Receivable	150	114
Prepaid rent	145	300
Accrued wages	70	50
Cash	540	237
Bank	215	(130)

11 Computers and refrigerators are normally depreciated at 10% on cost. Depreciation is time apportioned where necessary.

REQUIRED:

(i) Statement of profit or loss for the year ended June 30 2015. **(30 Marks)**

(ii) Statement of financial position as at June 30 2015. **(7 Marks)**

(Total 40 Marks)

SECTION B

Attempt three of the four questions in this section.

QUESTION TWO

The following transactions were obtained from Alpha's business for the month of October 2015.

Date	Transaction
1	Started business with Frw 5,000,000 cash at hand and Frw 6,000,000 in the bank.
3	Purchased items of furniture and fittings Frw 1,000,000 cash.
7	Received an invoice from Muhabura Wholesalers Frw 2,000,000 in respect of goods for resale.
8	Sold goods Frw 500,000 cash.
11	Received a credit note from Muhabura Wholesalers Frw 150,000.
17	Sent an invoice for goods sold to Kabuga General Merchandise Frw 1,340,000.
20	Obtained a loan from Rubavu Commercial Bank Ltd (RCBL) Frw 3,000,000.
22	Purchased goods for resale Frw 3,250,000 paying in cash.
25	Received a debit note from Kabuga General Merchandise Frw 340,000.
29	Paid Muhabura wholesalers the amount due in full by cheque.
30	Made the following payments; rent Frw 250,000 cash, utilities Frw 100,000 through the bank and wages Frw 50,000 cash.
31	Bank charges for the month were Frw 23,000.

REQUIRED:

(a).Prepare a general journal to record the above transactions **(5 Marks)**

(b).Post the records in the books in (i) above to the relevant ledgers and extract a Trial Balance

(15 Marks)

(Total 20 Marks)

QUESTION THREE

(a) Explain the following concepts as applied in IAS 16: Property, Plant and Equipment:

(i) Carrying amount **(2 Marks)**

(ii) Depreciation **(2 Marks)**

(b) The following balances were extracted from the books of Karibu Enterprises Ltd (KEL) as at 30 June 2015:

	Dr (Frw '000')	Cr (Frw '000')
Land (cost)	20,000	
Furniture and fittings (at cost)	4,000	
Motor vehicle (carrying amount)	5,120	
Computer (at cost)	500	
Building (at cost)	40,000	
Accumulated depreciation		
Building		4,000
Motor vehicle		2,880
Furniture and fittings		400

The following additional information is also relevant

1. The depreciation policy of the company is as follows;

Asset	Rate (%)	Method
Furniture and fittings	5	Straight line
Motor vehicle	20	Reducing balance
Computer	25	Reducing balance
Buildings	5	Straight line

2. The land was revalued upwards during the year by Frw 7,000,000.

3. A piece of furniture that initially cost Frw 400,000 on 1 January 2013 was disposed of for Frw 120,000 on 30 June 2015.

4. During the year, an extension to the building was completed and put to use on 1 January 2015 at a cost of Frw 1,000,000 and Frw 500,000 was incurred in respect of repairs on the other part of the old building.

5. A new motor vehicle which was acquired on February 28 2015 for Frw 6,000,000 has not yet been recognized in the books.

6. Depreciation is time apportioned where necessary.

REQUIRED:

Non-current assets schedule as at 30 June 2015 as per IAS 16. **(16 Marks)**

(Total 20 Marks)

QUESTION FOUR

(a) IAS 7: Statement of Cash Flows provides three broad categories of cash flows. Explain each category of these cash flows and give two examples in each case. **(6 Marks)**

(b) Explain, the term 'cash equivalents' as used under IAS 7. **(2 Marks)**

(c) The following financial statements relates to Kivu Enterprises Ltd the year ended 31 December 2014

(d) Statement of profit or loss

		Frw '000'
Sales revenue	640,000	
Cost of sales	(360,000)	
Gross Profit		280,000
Interest income		47,000
Operating expenses		
Salaries and wages	(21,000)	
Office rent expenses	(33,000)	
Other expenses	(109,000)	
Profit before interest and tax		164,000
Interest on loan		(135,000)
Profit before tax		29,000
Income tax		(9,000)
Profit after tax		20,000

Statement of Financial Position as at December 31;

	2014		**2013**	
	Frw '000'	Frw '000'	Frw '000'	Frw '000'
Non -current assets:				
Property, plant and equipment		420,000		380,000
Investments		273,000		130,000
		693,000		**510,000**
Current assets:				
Inventories	110,000		98,000	
Receivables	105,000		125,000	
Short- term investments	173,000			
Cash at bank	167,000		120,000	
		555,000		343,000
Total assets		**1,248,000**		**853,000**
Equity and liabilities				
Equity:				
Ordinary share capital (Frw 1,000 per share)		390,000		350,000
Share premium		140,000		120,000
Retained earnings		40,000		20,000
Non -current liabilities:				
Long term loan		360,000		215,000
Current liabilities:				
Trade payables	148,000		100,000	
Other payables	15,000			
Interest payable	123,000			
Tax payable	32,000		48,000	
		318,000		148,000
		1,248,000		**853,000**

Additional Information:

1. An item of equipment with original cost of Frw 90,000,000 and carrying amount of Frw 45,000,000 were disposed for Frw 30,000,000.

2. Information relating to property, plant and equipment is also provided below;

	2014	2013
	Frw '000'	Frw '000'
Cost	670,000	620,000
Accumulated depreciation	(250,000)	(240,000)
	420,000	**380,000**

3. 40,000 shares were issued to the public during the year at Frw 1,500 per share.

4. Short -term investments are highly liquid and were close to maturity by 31 December 2014.

REQUIRED:

A statement of cash flows for the year ended 31 December 2014 using the indirect method in accordance with IAS7 **(12 Marks)**

(Total 20 Marks)

QUESTION FIVE

(a) State any six contents of a partnership deed. **(3 Marks)**

(b) Ben, Charles and Dennis are in partnership sharing profits and losses in the ratio of 2:1:1 respectively. The following account balances were extracted from the books of the partnership as at 31 December, 2014.

	Frw '000'
Land	200,000
Motor vehicles	180,000
Machinery	220,000
Furniture & fittings	70,000
Computers	50,000
Accounts receivable	40,000
Accounts payable	300,000
Cash at hand	56,000
Cash at bank	75,000
Inventory 1 January 2014	10,000
Sales	500,000
Purchases	200,000
Salaries & wages	28,000
Office expenses	20,000
Bad debts written off	5,000
Salary to Charles	4,000
Current accounts:	
Ben	45,000
Charles	60,000
Dennis	55,000

Capital accounts:	
Ben	80,000
Charles	90,000
Dennis	80,000
Drawings:	
Ben	22,000
Dennis	30,000

Additional information as at 31 December, 2014:

1 Inventory was valued at Frw 8,000,000

2 Salaries and wages owing amounted to Frw 2,000,000

3 Interest on capital is 10% and drawings 2%

4 Depreciation on Non-current assets is 20% on cost

REQUIRED:

(i) Partnerships' profit or loss & appropriation account for the year ended 31 December, 2014. **(10 Marks)**

(ii) Prepare, in columnar format, partners' current accounts. **(7 Marks)**

(Total 20 Marks)

End of question paper

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