
**CERTIFIED ACCOUNTING TECHNICIAN
LEVEL 1 EXAMINATION**

LI.1: INTRODUCTION TO FINANCIAL ACCOUNTING

MONDAY: 28 NOVEMBER 2016

INSTRUCTIONS:

- 1. Time Allowed: 3 hours 15 minutes** (15 minutes reading and 3 hours 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. All iCPAR Examination rules and regulations** apply

SECTION A

This section has one compulsory question

QUESTION ONE

- (a) Distinguish between a partnership and a limited company. **(4 Marks)**
- (b) Explain the purpose of preparing control accounts. **(4 Marks)**
- (c) Identify and explain any four users of accounting information and their user needs. **(8 Marks)**
- (d) Explain the following source documents:
- (i) Credit note. **(2 Marks)**
 - (ii) Invoice. **(2 Marks)**
 - (iii) Receipts. **(2 Marks)**
- (e) Ngoma Charitable Trust Foundation had the following receipts and payments account for the year ended 31 December, 2015:

Details	Frw '000'	Details	Frw '000'
Balance b/d	50,000	Bar creditors	3,000
Subscription	20,000	Bar accounts payable	500
Bar accounts receivable	2,500	Salaries	1,200
Bar cash sales	1,000	Office expenses	300
Donations received	80,000	Lighting	150
Bank loan	35,000	General expenses	115
		Transport expense	20
		Balance c/d	<u>183,215</u>
	<u>188,500</u>		<u>188,500</u>

Additional information:

1 Balances

	1 January, 2015	31 December, 2015
	Frw '000'	Frw '000'
Bar inventory	3,000,000	2,500,000
Bar accounts receivable	6,500,000	32,300,000
Bar accounts payable	15,000,000	22,000,000
Bar wages outstanding	250,000	120,000
Salaries prepaid	1,800,000	450,000

2 Non-current assets as at 1 January, 2015 were as follows:

	Frw '000'
Buildings (net book value)	40,000
Motor vehicle (net book value)	16,000

- 3 The bank loan was acquired on 1 March, 2015.
- 4 Life subscription is 5% of the subscriptions received and it is to be amortised over a period of 5 years.
- 5 10% of the salaries belong to the bar.
- 6 Depreciation of non-current assets is 5% per annum on reducing balance basis.

REQUIRED:

- (i) A statement of affairs as at 1 January, 2015. **(2 Marks)**
- (ii) A bar trading, profit or loss statement for the year ended 31 December, 2015. **(3 Marks)**
- (iii) An income and expenditure statement for the year ended 31 December, 2015. **(7 Marks)**
- (iv) A statement of financial position as at 31 December, 2015. **(6 Marks)**
- (Total: 40 Marks)**

SECTION B

Attempt three of the four questions in this section.

QUESTION TWO

- (a) Distinguish, between 'nominal accounts' and 'real accounts' as used in bookkeeping: **(4 Marks)**
- (b) Fernando Rutayisire is a successful sole proprietor operating a business in Gakenke. His accounts assistant failed to prepare the prime books of account and he has approached you with the following information for the month of June, 2016 for help.

Date	Transaction
1	Started business with cash at hand Frw 80,000,000 and cash at bank Frw 50,000,000.
2	Acquired a motor vehicle for business Frw 10,000,000 cash and machinery Frw 15,000,000 on credit.
3	Purchased goods Frw 5,000,000 from James on credit and received invoice number 010
4	Purchased goods Frw 7,000,000 from Tom and paid Frw 3,000,000 by cheque and received invoice number 028 for the balance.
4	Sold goods to Jonathan Frw 6,000,000. Jonathan paid cash Frw 4,000,000 and was issued invoice number 020 for the balance.
6	Returned damaged goods Frw 200,000 to James and issued debit note number 030.
8	Received cheque Frw 500,000 from Jonathan.
9	Purchased goods Frw 10,000,000 from Dominic on credit and received invoice number 047.
10	Jonathan returned goods Frw 100,000 that were defective and was issued credit note number 040.
11	Paid salaries Frw 1,000,000 cash and Frw 500,000 by cheque.
12	Returned goods Frw 60,000 to Tom and issued debit note number 031.
14	Received damaged goods from Jonathan Frw 120,000 and issued credit note number 041.
15	Paid James by cheque Frw 5,000,000.
20	Sold goods to Gladys Frw 8,000,000 on credit and issued invoice number 021.
22	Paid electricity cash Frw 250,000.
23	Purchased goods Frw 2,000,000 from Jane on credit and received invoice number 069.
25	Returned defective goods to Jane Frw 50,000 and issued debit note number 032.
26	Sold goods Frw 10,000,000 to Irene and issued invoice number 022.
27	Irene returned damaged goods Frw 90,000 and was issued credit note number 042.
27	Purchased goods cash Frw 500,000 and Frw 800,000 by cheque.
28	Sold goods Frw 4,400,000 to Gladys. Gladys paid cash Frw 200,000, Frw 800,000 by cheque and received invoice number 023 for the balance.
28	Returned goods Frw 150,000 to Jane and issued debit note number 033.
29	Paid wages cash Frw 2,000,000 and Frw 1, 000,000 by cheque.
29	Irene returned goods Frw 120,000 and was issued credit note number 043.
30	Withdrew cash Frw 5,000,000 from the bank for business use.

REQUIRED:

- (i) Purchases day book. **(2 Marks)**
 - (ii) Purchases returns day book. **(2 Marks)**
 - (iii) Sales day book. **(2 Marks)**
 - (iv) Sales returns day book. **(2 Marks)**
 - (v) Cash book. **(8 Marks)**
- (Total: 20 Marks)**

QUESTION THREE

- (a) Distinguish between the following terms as used in accounting:
- (i) Trade discount and cash discount. **(2 Marks)**
 - (ii) Accrued expenses and prepaid expenses and how they are treated. **(2 Marks)**
 - (iii) Capital and accumulated fund. **(2 Marks)**
- (b) The following information about wages was extracted from the books of Uwimana and Sons Ltd for the year ended 31 December, 2015.

Details	Frw '000'
Prepaid 1 January, 2015	10,000
Accrued 1 January, 2015	5,000
Payment in 2015	18,000
Prepaid 31 December, 2015	2,000
Accrued 31 December, 2015	6,000

REQUIRED:

- (i) Determine the wages expense for the year ended 31 December, 2015. **(6 Marks)**
- (ii) Uwimana and Sons Ltd prepared the following trial balance for the year 31 December, 2015.

	Dr.	Cr.
	Frw '000'	Frw '000'
Capital		221,000
10% loan		80,000
Purchases	150,000	
Sales		300,000
Repairs of building	3,000	
Buildings	350,000	
Delivery van	30,000	
Equipment	40,000	
Accounts receivable	12,000	
Accounts payable		15,000
Inventory 1 Jan, 2015	5,000	
Motor expenses	2,500	
Discounts allowed	4,000	
Cash	8,000	
Discounts received		4,000
Drawings	1,500	
Insurance	4,000	
Rent	10,000	
Total	620,000	620,000

Additional information:

- 1 Closing inventory was valued at Frw 20,000,000
- 2 Interest on the bank loan for the year was accrued.
- 3 Repairs on building Frw 2,000,000 remained outstanding.
- 4 Insurance of Frw 1,000,000 was prepaid.
- 5 Non-current assets are to be depreciated at 10% on cost.
- 6 Provision for doubtful debts of 5% of accounts receivable is to be made.

REQUIRED:

An adjusted trial balance for Uwimana and Sons Ltd taking into account the information 1 - 6 above.

(8 Marks)

(Total 20 Marks)

QUESTION FOUR

(a) Explain why:

- (i) A suspense account may be introduced in the trial balance. **(2 Marks)**
- (ii) A suspense account balance has to be removed from the books of account after some time.

(2 Marks)

(b) Pierre Ltd had a net profit of Frw 105,000,000 for the year ended 30 June 2016. The following errors were discovered:

- 1 Discounts allowed Frw 100,000 had been recorded on the credit side of discounts received account.
- 2 Purchases account had been overcast by Frw 5,000,000.
- 3 A purchase of machinery for Frw 20,000,000 had been debited to the purchases account.
- 4 No entries had been made for bank charges of Frw 5,000
- 5 Sales account had been under cast by Frw 15,000,000
- 6 A sale on credit to Joan of Frw 50,000,000 had been debited to Jane's account.

REQUIRED:

- (i) Journal entries to correct the above errors. **(5 Marks)**
- (ii) A statement of corrected net profit for Pierre Ltd for the year ended 30 June 2016. **(7 Marks)**
- (d) Explain any four components of equity of a limited liability company. **(4 Marks)**

(Total: 20 Marks)

QUESTION FIVE

- (a) Explain why:
- (i) Depreciation is provided for non-current assets. **(2 Marks)**
 - (ii) Current assets are not depreciated. **(2 Marks)**
- (d) The following information relates to Dismas' business for the year ended 31 December, 2014.

1	1 January	Started a business with cash at bank of Frw 100,000,000, cash at hand of Frw 80,000,000 and a motor vehicle worth Frw 40,000,000.
2	12 March	purchased goods worth Frw 15,000,000 on credit from Kigali Supplies Ltd.
3	20 May	Sold goods of Frw 8,000,000 for Frw 10,000,000 cash.
4	10 June	paid rent of Frw 500,000 by cheque.
5	30 November	Withdrew cash of Frw 2,500,000 to pay his son's school fees.

REQUIRED:

Prepare an accounting equation for each of the above transactions and a statement of financial position as at 31 December, 2014. **(16 Marks)**

(Total 20 Marks)

End of question paper

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