
**CERTIFIED ACCOUNTING TECHNICIAN
LEVEL 1 EXAMINATION
L1.1: INTRODUCTION TO FINANCIAL ACCOUNTING
MONDAY: 27 NOVEMBER 2017**

INSTRUCTIONS:

- 1. Time Allowed: 3 hours 15 minutes** (15 minutes reading and 3 hours writing).
- This examination has **two** sections; **A & B**.
- Section (**A**) has **one** compulsory question while Section (**B**) has **four(4)** questions to attempt **three(3)**.
- Marks allocated to each question are shown at the end of the question.
- Show all your workings.
- All iCPAR Examination rules and regulations apply.

SECTION (A)

This is a compulsory question

- (a) Explain circumstances under which the following source documents are used in business transactions.
- | | |
|-----------------------------|------------------|
| (i) Credit note. | (2 Marks) |
| (ii) Invoice. | (2 Marks) |
| (iii) Receipt. | (2 Marks) |
| (iv) Bank paying in slip. | (2 Marks) |
| (v) Remittance advice note. | (2 Marks) |
- (b) Explain any **four** objectives of financial statements. **(8 Marks)**
- (c) Karongi Enterprises Ltd had the following un-reconciled amounts as at 1 June, 2017.

Un-presented cheques:	Frw	Direct credits:	Frw
NO: 2222	500,000	Interest on deposit	300,000
NO: 2232	1,200,000	Rubavu Ltd	250,000
NO: 2240	5,000,000		
Un-credited cheques:		Direct debits:	
NO: 24	4,500,000	Bank charges	16,000
NO: 16	800,000	Loan interest	280,000
NO: 40	600,000	Makunza	140,000

The following information is available for the month of June 2017:

1	The balance as per the bank statement on 30 June, 2017 was a credit Frw 75,141,500 while the balance as per the cash book (bank column) was a debit Frw 68,500,000.
2	Cheque NO: 2222 and NO:2240 were presented on 15 June, 2017 and cheque NO: 16 was credited on 29 June, 2017.
3	The previous un-reconciled interest on deposit Frw 300,000 and bank charges Frw 16,000 were debited and credited respectively in the cash book on 18 June, 2017.
4	A standing order (MTN) for June, 2017 Frw 50,000 had not yet been recorded in the cash book.
5	A debtor, Bagaza settled his account Frw 7,500,000 by paying directly into the bank. Karongi Enterprises Ltd has not recorded this transaction in the cash book.
6	A deposit on 15 June 2017 Frw 5,000,000 was omitted from the bank statement.
7	A deposit on 18 June, 2017 Frw 1,500,000 was entered in the bank statement as Frw 5,100,000.
8	A cheque Frw 750,000 from Bikindi Ltd was returned unpaid by the bank. This is not yet reflected in the cash book.
9	A cheque Frw 2,250,000, issued to Boshoso and paid by the bank, had been erroneously recorded in the cash book as Frw 2,520,000.
10	A receipt from a debtor (Kanza) collected by the bank on 25 June 2017 Frw 3,812,500 and interest thereon Frw 381,250 did not appear in the cash book (bank column). The bank charged collection fees Frw 38,250.

11	Bank charges Frw 18,000 were not yet recorded in the cash book.
12	A cheque from a debtor (Kengo) Frw 1,800,000 sent to the bank was returned together with a bank statement unpaid.
13	Cheques to Mugabo Enterprises Ltd and Gatanazi Ltd, Frw 2,000,000 and Frw 1,200,000 respectively were yet to be presented to the bank for payment.
14	A cheque from Toto Frw 652,000 was entered in the bank statement as Frw 256,000.

REQUIRED:

(i) Prepare an adjusted cash book. **(13 Marks)**

(ii) Starting with the adjusted cash book balance obtained in (c) (i) above, prepare a bank reconciliation statement as at 30 June 2017. **(9 Marks)**

(Total 40 Marks)

SECTION (B)

Attempt any three questions in this section.

QUESTION TWO

Kabuga & Sons have prepared the following trial balance for the year ended 30 June, 2017

	Dr. Frw	Cr. Frw
Capital		58,905,000
Machinery	18,750,000	
Land	25,000,000	
Trade payables		3,750,000
Inventory (1 July 2016)	3,120,000	
Cash & bank balances	16,220,000	
Purchases	35,518,000	
Sales		68,440,000
Purchases returns		500,000
Sales returns	2,500,000	
VAT paid	4,022,000	
Furniture & fittings	16,250,000	
General expenses	315,000	
Utilities	3,500,000	
Discount received		2,875,000
Carriage inwards	5,000,000	
Carriage outwards	3,250,000	
Trade receivables	5,120,000	
Commission received		750,000
Accumulated depreciation:		
Machinery		2,250,000
Furniture & fittings		2,925,000
Drawings	130,000	
Rent	1,200,000	
Stationery	500,000	-
	<u>140,395,000</u>	<u>140,395,000</u>

Additional information:

1. Inventory at 30 June, 2017 was Frw 2,500,000.
2. Sales and purchases included VAT at 18%.
3. The company sublets part of its building at Frw 1,500,000 per annum and this amount was not received by the year end on 30 June, 2017.
4. Rent expense Frw 800,000 was outstanding at the year end.
5. Frw 150,000 of stationery was unused.
6. Utility expenses include Frw 3,600,000 for electricity paid on 1 July, 2016 covering a period of 18 months.

7. A provision for doubtful debts of 5% on trade receivables is to be made.
8. Non-current assets, except land, are depreciated at 12% per annum using the reducing balance method.

REQUIRED:

Prepare a statement of:

- (a) Profit or loss for the year ended 30 June, 2017. **(10 Marks)**
- (b) Financial position as at 30 June, 2017. **(10 Marks)**

(Total 20 Marks)

QUESTION THREE

The following information was extracted from the books of Kadege who operates a hardware business in Ngoma District as at 31 December, 2016.

Balances brought forward:

	Dr (Frw)	Cr (Frw)
Capital		142,500,000
Cash	22,300,000	
Bank	66,200,000	
Trade receivables	30,500,000	
Trade payables		25,000,000
Utilities prepaid	4,000,000	
Accrued rent		1,500,000
Motor vehicles	46,000,000	
	169,000,000	169,000,000

Transactions during the year ended 31 December 2016:

1	Kadege added his personal savings Frw 18,000,000 cash to the business to enable him open a branch in Kirehe district.
2	Purchased goods Frw 8,500,000 on credit.
3	Paid for stationery Frw 460,000 cash.
4	Sold goods Frw 5,500,000 receiving Frw 3,500,000 cash and the balance by cheque.
5	Acquired another motor vehicle Frw 6,000,000 cash.
6	Paid suppliers account balance of Frw 4,000,000 by cheque and received a discount Frw 200,000 (all amounts are pre-discount).
7	Paid rent and utilities Frw 3,500,000 by cheque and Frw 500,000 in cash respectively.
8	Deposited Frw 6,240,000 cash into the bank account.
9	Sold goods on credit Frw 3,000,000.
10	Customers returned goods Frw 160,000.
11	Customers with account balance Frw 2,000,000 paid cash after being allowed a discount Frw 100,000 (all amounts are pre-discount).

REQUIRED:

- (a) All the relevant general ledgers accounts. **(14 Marks)**
- (b) Trial balance. **(6 Marks)**

(Total 20 Marks)

QUESTION FOUR

- (a) Explain circumstances under which a suspense account may be opened. **(2 Marks)**
(b) The trial balance totals of Mukunzi for the year ended 30 June, 2017 were:

Debit Frw	400,000
Credit Frw	399,000

She recorded the difference in a suspense account and proceeded to prepare financial statements. Further scrutiny of her accounting records revealed the following errors:

1	A credit sale Frw 8,000,000 was not entered in the sales daybook.
2	Discounts received Frw 230,000 were entered in the debit side of the discounts allowed account as Frw 320,000 but properly recorded in the trade payables ledger account.
3	A cheque Frw 4,500,000 from Jane was wrongly recorded in Joan's account as Frw 5,400,000 but properly recorded in the bank account.
4	Commission received Frw 160,000 and additional capital Frw 30,000,000 were all wrongly credited in the sales account but recorded properly in the corresponding ledger accounts.
5	Carriage inwards Frw 940,000 was wrongly debited in the carriage outwards account as Frw 490,000. The corresponding account was properly treated.

REQUIRED:

Prepare for Mukunzi for the year ended 30 June, 2017:

- (i) Journal entries to correct the above errors (ignore narrations). **(14 Marks)**
(ii) A suspense account following the correction of the errors. **(4 Marks)**

(Total 20 Marks)

QUESTION FIVE

- (a) Identify any **three** ways that a non-profit making organization can raise funds. **(3 Marks)**
- (b) The following receipts and payments account was extracted from the books of Iradukunda social club for the year ended 30 June, 2017.

Receipts:	Frw	Payments:	Frw
Balance b/ d	33,000,000	General expenses	5,245,000
Collections from canteen credit customers	60,000,000	Payments to canteen credit suppliers	40,000,000
Subscriptions	200,000,000	Donation to charity	20,500,000
Donations	50,000,000	Canteen total expenses	4,660,000
Canteen cash sales	6,000,000	Canteen cash purchases	4,125,000
		Balance c/ d	274,470,000
	349,000,000		349,000,000

Additional information:

	1 July, 2016	30 June, 2017
	Frw	Frw
Land	100,000,000	100,000,000
Buildings (cost Frw 37,500)	30,000,000	22,500,000
Ordinary subscription in arrears	65,000,000	85,000,000
Ordinary subscription in advance	58,000,000	68,000,000
Canteen trade receivables	22,250,000	48,540,000
Canteen trade payables	36,145,000	44,420,000

Life subscription is 15% of subscription received which is amortized over a period of 15 years.

REQUIRED:

- (i) Statement of affairs as at 1 July, 2016. **(4 Marks)**
- (ii) Life subscription account. **(1 Mark)**
- (iii) Ordinary subscription account. **(3 Marks)**
- (iv) Debtors control account. **(2 Marks)**
- (v) Creditors control account. **(2 Marks)**
- (vi) Statement of profit or loss for the year ended 30 June, 2017. **(2 Marks)**
- (vii) Statement of income and expenditure. for the year ended 30 June, 2017. **(3 Marks)**

(Total 20 Marks)

End of question paper

