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CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATION
S2.1 PREPARATION OF BASIC ACCOUNTS

DATE: WEDNESDAY, 27 JULY 2022

INSTRUCTIONS:

1. Time allowed: **2 hours and 30 minutes**
2. This examination has **one** section only: **Section A**
3. **Section A** has **50 compulsory** multiple-choice questions equal to **2** marks each.
4. The question paper should not be taken out of the examination room

SECTION A

QUESTION ONE

It is very important that an accountant keeps financial records. The following are source documents to be kept by a business, **except**:

- A Sales invoice
- B Purchase invoice
- C Credit notes
- D Cashbook

(2 Marks)

QUESTION TWO

Which of the following describes the accounting system/cycle?

- A Source documents-Ledger accounts- Books of prime entry -Trial Balance-Financial Statements
- B Source documents-Books of prime entry-Ledger accounts-Trial Balance-Financial Statements
- C Invoices-Ledger Accounts-Journals-Trial Balance-Financial Statements
- D Journals-Ledger accounts-Trial Balance-Financial Statements

(2 Marks)

QUESTION THREE

The right to receive money in the future is called a(n)?

- A Account payable.
- B Account receivable.
- C Liability
- D Revenue.

(2 Marks)

QUESTION FOUR

The report that shows how successfully business performed during a particular period is?

- A Balance sheet.
- B Income statement.
- C Statement of cash flows.
- D Retained earnings statement

(2 Marks)

QUESTION FIVE

Mr Alex purchased machinery on credit from Bharat machinery house for FRW 2,000,000.

The effect of the transaction would be?

- A Cash decrease, owner's capital decrease
- B Assets increase, Capital increase
- C Assets increase, Liabilities increase
- D Increase in Assets, decrease in Liability

(2 Marks)

QUESTION SIX

Rodgers Company compiled the following financial information as of 31 December 2021

Description	FRW
Sales revenue	1,120,000
Common stock	240,000
Buildings	320,000
Operating expenses	1,000,000
Cash	280,000
Dividends payable	80,000
Inventory	40,000
Accounts payable	160,000
Accounts receivable	120,000
Retained earnings	600,000

What is Rodger's total assets as at 31 December 2021?

- A FRW 1,000,000
- B FRW 840,000
- C FRW 1,760,000
- D FRW 760,000

(2 Marks)

QUESTION SEVEN

The process of entering accounting transactions in the ledger accounts is referred to as:

- A Balancing
- B Posting
- C Documenting
- D Presenting

(2 Marks)

QUESTION EIGHT

You are provided with the following sales daybook of Mr Kigenza who is the manufacturer and seller of shoes in the city of Kigali:

Date	Invoice Number	Customer name	Reference in ledger accounts	Amount (FRW)
01/01/2022	345	Bits and Pieces Co	RL25	50,000
04/01/2022	346	Mugenzi Co	RL28	70,000
15/01/2022	347	Kaboyi & Co	RL30	85,000
TOTAL				205,000

How would you post these transactions to the general ledger accounts?

- A Dr. individual receivables account in the general ledger and Cr. Sales account in the sales ledger
- B Dr. Receivable control account and Cr. Sales account in the general ledger
- C Dr. Sales account in the general ledger and Cr. individual receivables accounts in the sales ledger
- D Dr. Individual receivables accounts in the sales ledger and Cr. Shoes Asset Account in the general ledger

(2 Marks)

QUESTION NINE

Which of the following statements is “True” in relation to cashbooks?

- A Cash payments daybook is used to record all forms of bank payments including standing orders, bank charges, bank transfers and record receipt of cash
- B Petty cashbook is used to record all cash receipts and cash payments made by the entity for a particular period
- C Cashbook is used to record receipts of cash including notes, coins, cheques, bank transfers and till receipts
- D The Debit side of the cash book records all cash transactions related to the payments including cash in hand and cash at bank

(2 Marks)

QUESTION 10

Mrs Kellen sold goods amounting to FRW 450,000 on credit to a customer. Due to some defects identified, the customer returned 10% of these goods. Mrs Kellen has prepared and issued a credit note to the customer.

Which of the following journal entries correctly records this return?

- A Dr. Sales revenue: FRW 45,000; Cr. Cash: FRW 45,000
- B Dr. Return inwards: FRW 45,000; Cr. Receivables: FRW 45,000
- C Dr. Receivables: FRW 45,000; Cr. Sales revenue: FRW 45,000
- D Dr. Sales Revenue: FRW 405,000; Cr. Receivables: FRW 405,000

(2 Marks)

QUESTION 11

Which of the following would be recorded in the purchase daybook?

- A Cheques paid to a supplier
- B Purchase invoices
- C Trade discounts
- D Carriage in ward

(2 Marks)

QUESTION 12

On 1 January 2021, Kempoli Ltd had machines with a cost of FRW 12,000,000 and related accumulated depreciation of FRW 250,000. At the beginning of the year, a new machine worth FRW 5,000,000 was acquired. Kempoli Ltd has a depreciation policy of charging straight-line depreciation at the rate of 20% per annum with proportionate depreciation in the year of acquisition and year of disposal.

What is the depreciation expense for the year ending 31 December 2021?

- A FRW 2,400,000
- B FRW 3,350,000
- C FRW 3,400,000
- D FRW 2,350,000

(2 Marks)

QUESTION 13

Mr Mihigo operate a shop in Musanze district. During the year ended 31 December 2020, they computed depreciation for the year of FRW 2,500,000.

How will you record the depreciation expense?

- A Dr. Depreciation expense: FRW 2,500,000; Cr. Asset: FRW 2,500,000
- B Dr. Accumulated depreciation: FRW 2,500,000; Cr. Asset: FRW 2,500,000
- C Dr. Depreciation Expense: FRW 2,500,000; Cr. Accumulated Depreciation: FRW 2,500,000
- D None of the above

(2 Marks)

QUESTION 14

According to IAS 16, the estimated amount that an entity would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal is **defined as?**

- A Residual value
- B Depreciable amount
- C Book value/carrying amount
- D Trade in value

(2 Marks)

QUESTION 15

On 1 January 2021, Mrs Milly opened a business as a manufacturer of banana wine in the northern province and they were paying monthly rent of FRW 600,000 on quarterly basis in arrears. They were preparing accounts for the year ending 31 December 2021 and the rent paid during the year were as follows:

Date	FRW"000"
31 March 2021	2,400
30 June 2021	1,800
31 September 2021	2,000
Total	6,200

What is the accrued rent for the year ending 31 December 2021?

- A FRW 6,200,000
- B FRW 7,200,000
- C FRW 1,800,000
- D FRW 1,000,000

(2 Marks)

QUESTION 16

How accrued rent would be recorded in the books of accounts?

- A Dr. Rent expense a/c xxxx; Cr. Rent account xxxx
- B Dr. Rent expense account xxxx; Cr. Rent payable account xxxx
- C Dr. Rent receivable: xxxx; Cr. Rent account: xxxx
- D Dr. Rent expense account; Cr. Rent receivable a/c xxxxxxxxxx

(2 Marks)

QUESTION 17

Which of the following statements is/are true about irrecoverable bad debts?

- i. Irrecoverable debt is a specific debt which is not expected to be paid
- ii. If an irrecoverable debt is unexpectedly paid after it has been written off but **before** the end of the period in which it was written off, it is debited in receivables control account and credited in irrecoverable debts expense and then record the receipt in the normal way
- iii. If an irrecoverable debt is unexpectedly paid after it has been written off but **before** the end of the period in which it was written off, it is debited in bank account and credited in sundry income
- iv. If an irrecoverable debt is unexpectedly paid after it has been written off but **after** the end of the period in which it was written off, it is credited in receivables control account and debited in irrecoverable debts expense and then record the receipt in the normal way

- A (i) only
- B (i) and (ii) only
- C (i), (ii) and (iii) only
- D (i) and (iv) only

(2 Marks)

QUESTION 18

On 31 December 2020, Kagenza has a total receivable amounting to FRW 28,000,000. They believe that about 1% of these balances will not pay and they plan to make an appropriate allowance.

During the subsequent year, on 31 December 2021, they had receivables balances amount to FRW 40,000,000. Their experience during the year convinced them that an allowance of 5% is required at the end of the year.

What is the amount of allowance for receivables that would be recognized as an expense for the year ending 31 December 2021?

- A FRW 280,000
- B FRW 2,000,000
- C FRW 1,720,000
- D FRW 2,280,000

(2 Marks)

QUESTION 19

From the above information (Question 18) **what will be net amount of receivables at the end of 31 December 2021?**

- A FRW 38,280,000
- B FRW 37,720,000
- C FRW 39,720,000
- D FRW 38,000,000

(2 Marks)

QUESTION 20

A trial balance is a list of ledger accounts balances shown in the debit and credit columns.

Which of the following statements is true about the preparation of trial balance?

- A At the end of accounting period, if the total debits exceed the total credits of an account, there is debit balance, which is recorded in the credit side to balance the account and taken to the debit side of the trial balance
- B At the end of accounting period, if the total debits exceed the total credits of an account, there is credit balance, which is recorded in the credit side to balance the account and taken to the debit side of the trial balance
- C At the end of accounting period, if the total credits exceed the total debit of an account, there is credit balance, which is recorded in the debit side to balance the account and taken to the debit side of the trial balance
- D At the end of accounting period, if the total debits equal the total credits of an account, the account is closed off and taken to the debit side of the trial balance.

(2 Marks)

QUESTION 21

If the trial balance does not balance, there is an error in recording transactions or error in balancing the individual accounts or carrying figures in the trial balance.

Which of the following errors is/are not revealed by the trial balance?

- A The wrong amount posted on one entry
- B Error of single entry and error of commission
- C Error of complete omission and transposition errors
- D All the above

(2 Marks)

QUESTION 22

Bandar's trial balance was showing difference of FRW 5,000 (debit side exceeds credit side). While checking of total sales register, they found that total sales were over-casted by FRW 2,000.

After correction in sales register what would be the difference in his trial balance?

- A Debit side exceeds credit Side by FRW 7,000
- B Credit side exceeds debit side by FRW 7,000
- C Debit side exceeds credit side by FRW 5,000
- D Debit side exceeds credit side by FRW 3,000

(2 Marks)

QUESTION 23

James made the following journal entry:

Debit cash	FRW 850,000
Credit Jessica account	FRW 850,000

Which of the following is the correct narrative for the journal entry?

- A Cash sales to Jessica
- B Cash purchase from Jessica
- C Cash payment to Jessica
- D Cash receipt from Jessica

(2 Marks)

QUESTION 24

Which of the following is/are example(s) of adjustment done on balances before preparing final books of accounts?

- A Correction of errors
- B Recognition of omitted accruals and prepayments
- C Adjusting for allowances for receivables
- D All the above

(2 Marks)

QUESTION 25

While preparing trial balance Mr Kemushana found that unpaid advertisement expenses amounting to FRW 540,000 was omitted in the books.

How will these be adjusted before preparing final accounts?

- A Dr. Advertising expenses: FRW 540,000, Cr. Liability a/c: FWR 540,000
- B Dr. Advertising expenses: FRW 540,000; Bank a/c: FWR 540,000
- C Dr. Accrued liability a/c: FRW 540,000, Cr. Advertising expenses: FWR 540,000
- D No adjustment is required because the advertising expenses were not yet paid

(2 Marks)

QUESTION 26

At the end of the year, an aging of a company's accounts receivable indicates that FRW 60,000 are estimated to be uncollectable. If the opening balance for doubtful debts allowance had a balance of FRW 20,000.

The adjustment to record bad debts for the period will be as follows:

- A Dr. Bad debt expense; Cr. Allowance for doubtful debts for FRW 80,000.
- B Dr. Allowance for doubtful debt; Cr. Bad debt a/c for FRW 80,000.
- C Dr. Doubtful bad debt expense; Cr. Allowance for doubtful debt FRW 40,000.
- D Cr. Allowance for doubtful debts; Cr. Bad debt expense for FRW 40,000.

(2 Marks)

QUESTION 27

Mr Mugabo makes an allowance for bad debts on the basis of the length of time for which the debt has been outstanding. Below is their aging schedule indicating the receivables balances as at 30 June 2021 as well as the related allowances:

Length of outstanding debt	Balance as at 30 June 2021	Allowance required
	FRW 000	FRW 000
Less than 60 days	70,866	None
Between 60-90 days	25,250	10%
Above 90 days	10,808	50%

What would the allowances for bad debts as at 30th June 2021?

- A FRW 2,525,000
- B FRW 5,404,000
- C FRW 7,929,000
- D FRW 21,634,800

(2 Marks)

QUESTION 28

Using information stated in question 27 and considering that provision for doubtful debt as at 01 July 2020 was FRW 8,000,000.

Which of the following should be reported in Mugabo's statement of profit or loss for the year ending 30 June 2021?

- A An increase in allowance of FRW 7,929,000
- B A decrease of in allowance FRW 13,634,800
- C An increase in allowance of FRW 71,000
- D A decrease of in allowance FRW 71,000

(2 Marks)

QUESTION 29

Mr James is a small business trader in Nyamata Center. The following information relates to the rent and rates account for the year ended 31 March 2021:

	Rent	Rates
31-March-2020	10,000 prepayments	5,000 Accrual
31-March-2021	20,000 Accrual	12,000 Prepayment

During the year, Mr James made a payment of FRW 50,000 for rent and FRW 78,000 for rates.

What is the total expense for rent and rates for the year ended 31 March 2021?

- A FRW 141,000
- B FRW 111,000
- C FRW 125,000
- D FRW 145,000

(2 Marks)

QUESTION 30

How do you record the accrued expense and accrued income in the statement of financial position?

- A Accrued expense is recognized as current asset while accrued income is recorded as current liability
- B Accrued expense is recognized as current liability and Accrued income is recorded as current asset
- C Both accrued expense and accrued incomes are not recorded as current liabilities
- D Both accrued expense and accrued incomes are not recorded in the statement of financial position, rather they are only captured in the income statement

(2 Marks)

QUESTION 31

How to account for interest on drawing for partnership?

- A Credited to partner's current a/c and deducted from profit available for appropriation
- B Not shown in current account
- C Debited to partner's current account and added back to the profit available for appropriation
- D None of the above

(2 Marks)

QUESTION 32

Mr Alex is a sole trader involved in buying and selling light products. During the year ended 30 December 2021, their annual sales were FRW 5,000,000 with a profit mark up of 25%.

What is the gross profit for the year?

- A FRW 1,000,000
- B FRW 1,250,000
- C FRW 4,000,000
- D None of the above

(2 Marks)

QUESTION 33

The carrying amount of non-current assets in the books of Emma was FRW 200,000,000 as at 1 January 2021.

During the year ending 31 December 2021, they sold non-current assets for FRW 25,000,000 that realized a loss of FRW 5,000,000. The depreciation for the year was calculated at 10% on the opening value of the assets.

What was the carrying amount of non-current assets at 31 December 2021?

- A FRW 150,000,000
- B FRW 155,000,000
- C FRW 160,000,000
- D FRW 180,000,000

(2 Marks)

QUESTION 34

You are provided with the following trial balance for Mr Ken as at 31 December 2021:

Items	FRW
Sales Revenues	5,400,000
Cost of sales	2,826,000
Motor vehicle-Carrying amount	2,340,000
Inventory at 31 Dec 2021	846,000
Bank	90,000
Cash	18,000
Salaries and wages	792,000
Accounts receivable	456,000
Bank loan interest	43,000
Accounts payable	90,000
Commission income	180,000
Electricity and water	144,000
Rent income	126,000
Insurance	810,000

Allowance for receivables	24,000
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What is the net profit for the year ending 31 December 2021?

- A FRW 2,574,000
- B FRW 2,880,000
- C FRW 1,091,000
- D None of the above

(2 Marks)

QUESTION 35

Using information from Question 34, what is the value of total assets?

- A FRW 3,726,000
- B FRW 3,750,000
- C FRW 3,774,000
- D No full information to calculate total assets

(2 Marks)

QUESTION 36

What is the treatment of allowance for doubtful debt in the preparation of statement of financial position?

- A The allowance for receivables is added to current assets because it constitutes a reserve for money not yet received
- B The allowance for receivables is recognized as a liability
- C The allowance for receivables is recognized as a decrease in current asset (deducted from account's receivables)
- D None of the above

(2 Marks)

QUESTION 37

Which of the following statements is/are true about the balancing, closing accounts and preparation of financial statements?

- A At the end of the accounting period, all of the income and expenses accounts are balanced off and taken to statement of profit or loss which is later transferred to statement of financial position and added to proprietor's capital
- B The opening trial balance, before any posting takes place, will show only statement of financial position accounts
- C After balancing all accounts, the statement of financial position shows the assets, capital and liabilities of the business as at given date
- D All the above

(2 Marks)

QUESTION 38

Mr Simon took a bank loan of FRW 15,000,000 on 1 January 2021 repayable in 3 equal installments. They made an arrangement with bank and agreed that first installment will be due on 31 December 2023.

How will the outstanding loan be recognized in the statement of financial position as at 31 December 2021?

- A FRW 15,000,000 as current liability
- B FRW 5,000,000 as current liability and FRW 10,000,000 as non-current liability
- C FRW 10,000,000 as current liability and FRW 5,000,000 as non-current liability
- D FRW 15,000,000 as non-current liability

(2 Marks)

QUESTION 39

Which of the following items cannot be recorded in the adjusted trial balance as at the end of year?

- A Closing inventory
- B Drawings
- C Opening inventory
- D Rent expense

(2 Marks)

QUESTION 40

Kenziga Ltd has an accounting period that runs from 1 January to 31 December. During the year, they purchased a new non-current asset on 1 April 2021 at a cost of FRW 16,000,000 and its expected useful life is 4 years.

If Kenziga's policy is to apply a proportionate depreciation in the year of acquisition and in the year of disposal, **the accounting entry to record the depreciation expense for the year ended 31 December 2021 will be as follows:**

- A Dr. depreciation expense:(Statement of profit or loss): FRW 4,000,000; and Cr. Accumulated Depreciation (Statement of Financial Position): FRW 4,000,000
- B Dr. depreciation expense:(Statement of profit or loss): FRW 3,000,000; and Cr. Accumulated Depreciation (Statement of Financial Position): FRW 3,000,000
- C Dr. Accumulated Depreciation (Statement of Financial Position): FRW 4,000,000; Cr. depreciation expense:(Statement of profit or loss): FRW 4,000,000;
- D Dr. depreciation expense:(Statement of profit or loss): FRW 3,000,000; and Cr. Non-current asset (Statement of Financial Position): FRW 3,000,000

(2 Marks)

QUESTION 41

Which of the following statements is/are “true” about disposal of non-current assets?

- A The profit or loss on disposal is the difference between the sale price of the asset and the carrying amount of the asset at the time of sale
- B A profit is made when the carrying amount exceeds the sale price
- C A loss is made when the sale price exceeds the carrying amount
- D All the above.

(2 Marks)

QUESTION 42

Mamy Shop sold their vehicle used in the business for FRW 10,000,000 and the asset was used for 3 years. The original cost was FRW 28,000,000 and depreciation had been provided at 20% on a reducing balance for the last 3 years.

What is the profit or loss from disposal?

- A FRW 4,336,000 loss,
- B FRW 6,800,000 Gain
- C FRW 4, 336,000 Profit
- D FRW 6,800,000 Loss

(2 Marks)

QUESTION 43

Which of the following statements about non-current asset register is/are correct?

- i. Non-current asset register is part of double entry system
- ii. The main function of non-current asset register is to provide a system of internal control for non-current assets of the business
- iii. Balance as per asset register should agree with property plant and equipment reported in the financial statements

- A (i) and (ii)
- B (i), (ii) and (iii)
- C (ii) only
- D (ii) and (iii)

(2 Marks)

QUESTION 44

Recoverable value added tax (TAX) balance are reported in financial statements as?

- A Current liability
- B Other income
- C Capitalized to the cost of asset
- D Current assets

(2 Marks)

QUESTION 45

Mr Ben Kelly is a VAT registered tax collector and in January 2022, they made sales of FRW 5,000,000 (VAT inclusive). In the same month, they made total purchase of FRW 3,200,000 (VAT exclusive).

What is the net amount of VAT will Mr Ben declares for January 2022?

- A FRW 186,712 Payable
- B FRW 186,712 Refund
- C FRW 324,000 Refund
- D FRW 324,000 Payable

(2 Marks)

QUESTION 46

On 15 December 2021, Mrs Rayan sold goods amounting to FRW 1,770,000 (VAT inclusive) to Mr Mugenzi. Later after 2 weeks, Mugenzi issued a debit note of FRW 354,000 but Rayan accepted a credit note of FRW 236,000 inclusive of 18% VAT. It is now the end of month and Mugenzi's accountant is preparing the payment in respect of goods purchased from Rayan.

How much will appear on the cheque prepared in favor of Rayan?

- A FRW 1,416,000
- B FRW 1,470,000
- C FRW 1,570,000
- D FRW 1,534,000

(2 Marks)

QUESTION 47

Which of the following statement is true/are true about VAT?

- A Zero rated supplies are those supplies on which VAT is charged at the rate of 0%
- B Exempt supplies include goods and services related to health, precious metals, educational materials and services
- C Only standard rated goods and services will be charged VAT
- D All the above

(2 Marks)

QUESTION 48

Mambo is registered under VAT with a turnover of FRW 60 million and wishes to declare VAT on monthly basis.

When will output VAT and input VAT for the supplies related to the Month of October 2021 be declared and paid?

- A 15 October 2021
- B 15 November 2021
- C 15 March 2022
- D 15 December 2021

(2 Marks)

QUESTION 49

Mr Magezi is registered for VAT and made sales of FRW 317,000,000 (VAT inclusive) during the month of November 2021. 30% were zero-rated and the rest are standard rated.

What is their output VAT for the month of November 2021?

- A FRW 39,942,000
- B FRW 33,849,153
- C FRW 48,355,932
- D FRW 57,060,000

(2 Marks)

QUESTION 50

Which of the following is the penalty charged if business that should register for VAT fails to do so?

- A FRW 200,000
- B FRW 500,000
- C FRW 300,000
- D FRW 100,000

(2 Marks)

End of question paper

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