
CERTIFIED ACCOUNTING TECHNICIAN

LEVEL 1 EXAMINATION

L1.1: INTRODUCTION TO FINANCIAL ACCOUNTING

MONDAY: 8 JUNE 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) List five different users of financial statements and briefly explain in each case the aspects of financial performance or financial position in which they are interested. **(5 Marks)**
- (b) State and briefly explain **Five** basic characteristics of a partnership. **(5 Marks)**
- (c) The following is the trial balance of Mahoro at the end of their financial year on 31 May 2015

	Dr	Cr
Accounts	Frw"000"	Frw"000"
Cash at hand	24,000	
Cash in bank	48,000	
Land at cost	1,200,000	
Trade receivables	60,000	
Provision for bad debts		24,000
Trade payables		36,000
Sales and purchases	1,320,000	2,400,000
Discounts	24,000	12,000
Electricity	84,000	
Salaries	96,000	
Loans from Mahoro		180,000
Long term bank-loan		360,000
Rent	21,600	
Bad debts written off	14,400	
Capital		312,000
Carriage inwards	48,000	
Carriage outwards	24,000	
Returns	120,000	60,000
Opening inventory	12,000	
Motor vehicles at cost	120,000	
Accumulated depreciation on vehicles		24,000
Equipment at cost	240,000	
Accumulated depreciation on equipment		48,000
	<u>3,456,000</u>	<u>3,456,000</u>

Additional information:

- (i) Closing inventory at year end was valued at Frw 80 million.
- (ii) One third of the rent paid is for the forth coming year.
- (iii) The depreciation charge for the year on motor vehicles is Frw 8 million, and that on equipment is Frw 16 million but both have not been included in the trial balance.
- (iv) A provision against trade receivables of 20% should be made at year end.
- (v) Salaries accrued of Frw 24 million were not incorporated in the trial balance.

REQUIRED:

- a) Statement of profit or loss for the year ended 31 May 2015. **(18 Marks)**
- b) Statement of financial Position as at 31 May 2015. **(12 Marks)**
- (Total 40 Marks)**

SECTION B

Attempt three of the four questions in this section.

QUESTION TWO

The bank columns in the cashbook for April 2015 and bank statement for that month for MUSONI are as follows:

Transactions	Frw. '000'	Transactions	Frw. '000'
April 01 Balance b/f	2,379	June 05 D Uwimana	150
April 07 B Green	158	June 12 J Gatari	433
April 16 A silver	93	June 16 B Mahoro	88
April 28 M Brown	307	June 29 Orange Club	57
April 30 K Black	624	June 30 Balance c/f	2,833
	3,561		3,561

Bank statement for the month of April 2015

	Debit	Credit	Balance
Transactions	Frw.	Frw.	Frw.
April 01 Balance b/f			2,379,000
April 07 Cheque		158,000	2,537,000
April 08 D Blackness	150,000		2,387,000
April 16 Cheque		93,000	2,480,000
April 17 J Gatari	433,000		2,047,000
April 18 B Mahoro	88,000		1,959,000
April 28 Cheque		307,000	2,266,000
April 29 UDT standing order	44,000		2,222,000
April 30 Johnson : trader's credit		90,000	2,312,000
April 30 Bank charges	70,000		2,242,000

REQUIRED:

- a) Write the cashbook up to date to take the above into account, and then
- b) Draw up a bank reconciliation statement as on April 2015

(Total 20 Marks)

QUESTION THREE

a) With the help of an example explain what is meant by ‘non-profit-making organizations’. (3 Marks)

b) The Accountant of Kigali Cricket Club has provided you with the following summary of the club’s receipts and payments account for the period ended 31 March 2015:

	Dr		Cr Frw”000”
	Frw”000”		
Balances b/d			
Bank balance	409,500	Rent	1,521,000
Cash balance	65,000	Printing	117,000
Subscriptions:		Affiliation fees	78,000
March 2014	91,000	Accountant’s expenses	240,500
March 2015	884,000	Refreshments	396,500
March 2016	130,000	Annual social event expenses	663,000
Fees per game	1,105,000	Equipment	169,000
Annual social event income	871,000	Balances c/d	
		Bank balance	318,500
		Cash balance	52,000
	<u>3,555,500</u>		<u>3,555,500</u>

The Accountant has also provided you with the following information:

	31.03.2014	31.03.2015
	Frw “000”	Frw “000”
Amounts due to the club:		
Subscriptions	91,000	78,000
Fees per game	507,000	344,500
Annual social event income	39,000	
Amounts outstanding from the club:		
Rent	468,000	351,000
Printing		19,500
Treasurer’s expenses	26,000	52,000
Refreshments	84,500	78,000

The cost of equipment at 31 March 2014 was Frw 975 million and it is depreciated at 20% per annum on cost.

REQUIRED:

(i) Calculate the Club’s accumulated fund as at 31 March 2014. (5 Marks)

(ii) Prepare an income and expenditure statement for the club for the period ended 31 March 2015. (12 Marks)

(Total 20 Marks)

QUESTION FOUR

- (a) Aunt Grace started business on 1 October 2014 with cash of Frw 5,000,000 and she brought in a Toyota Corolla valued at Frw 4,500,000. The following transactions took place during the month of May 2015:

Date	Transaction
1 May	Purchased goods for Frw 1,000,000 in cash
2 May	Purchased fixtures and fittings for Frw 900,000
3 May	Purchased goods on credit from Eileen Gato Frw 1,500,000
4 May	Sold goods for Frw 1,200,000 cash
5 May	Sold goods on credit to Tom Gakuru for Frw 900,000
8 May	Paid salaries Frw 100,000 in cash
9 May	Bought goods from Eric Mutamba for Frw 850,000 on credit
10 May	Sold goods to Tresor Gakusi for Frw 800,000 on credit
11 May	Sold goods on credit to Tom Gakuru for Frw 1,000,000
12 May	Paid Eileen Gato all that was due to her
15 May	Tom Gakuru paid in full
16 May	Purchased Frw 700,000 goods for cash
16 May	Paid salaries Frw 150,000
17 May	Sold Frw 500,000 goods for cash
18 May	Tresor Gakusi paid Frw 500,000 on account
22 May	Paid Eric Mutamba in full
24 May	Loan received from Uncle Guy Frw 1,000,000
25 May	Purchased Office Furniture for Frw 4,000,000
26 May	Paid salaries Frw 150,000

REQUIRED:

- (a) Prepare the ledger accounts (T Accounts) for the month of May 2015 (12 Marks)
- (b) Extract a Trial Balance from the Ledger Accounts of (a). (3 Marks)
- (c) Aunt Grace does not understand the concept of tangible non-current assets and their conditions of recognition in the financial statements. She is also confused about the straight line method of depreciation.

REQUIRED:

(5 Marks)

Write a brief note to explain the issues raised by Aunt Grace. Use the car brought by Aunt Grace in (a) above as example to show how depreciation charge would be calculated.

(Total 20 Marks)

QUESTION FIVE

- a) Explain why it is necessary to make an allowance for doubtful debts. **(5 Marks)**
- b) State the accounting treatment for each of the following:
- i) An increase in allowance for doubtful debts. **(5 Marks)**
 - ii) A decrease in allowance for doubtful debts. **(5 Marks)**
 - iii) Bad debts recovered. **(5 Marks)**

(Total 20 Marks)

End of question paper

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