
**CERTIFIED ACCOUNTING TECHNICIAN
LEVEL 1 EXAMINATION**

L1.1: INTRODUCTION TO FINANCIAL ACCOUNTING

MONDAY: 5 JUNE 2017

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 while Section (B) has four(4) questions, three(3) questions to be attempted.**
- 4. Marks allocated to each question are shown at the end of the question.**
- 5. Show all your workings.**
- 6. All iCPAR Examination rules and regulations apply.**

SECTION (A)

This is a compulsory question

QUESTION ONE

(a) Explain:

(i) The enhancing qualitative characteristics of financial information.

(8 Marks)

(ii) Errors that can be detected by a trial balance.

(2 Marks)

(b) Nyirabageni had the following trial balance for the year ended 31 December 2016.

	Frw	Frw
Capital 1 January, 2016		70,497,000
Land	30,000,000	
Motor vehicles	11,250,000	
Accounts receivable	1,845,200	
Sales revenue		8,500,000
Discounts allowed	5,000	
Discounts received		1,500
Accumulated depreciation - motor vehicles		1,350,000
Carriage inwards	1,500,000	
Carriage outwards	850,000	
Returns inwards	2,500,000	
Returns outwards		1,112,000
Provision for bad debts		560,000
Utilities expenses	200,000	
Cash	13,300,000	
Bank overdraft		1,250,000
10% bank loan		8,000,000
Accounts payable		750,400
Salaries & wages	900,000	
Stationery	50,000	
Investment in 5% treasury bills	25,000,000	
Interest on treasury bills		1,000,000
Commissions received		89,300
Purchases	3,760,000	
Drawings	350,000	
Inventory 1 January, 2016	1,600,000	
	<u>93,110,200</u>	<u>93,110,200</u>

Additional information:

1. Inventory on 31 December 2016 was valued at Frw 2,400,000.
2. The bank overdraft was offset using the cash available but this was not reflected in the trial balance.
3. Stationery worth Frw 2,500 remained unused.

4. Interest on bank loan remained outstanding.
5. Part of the interest on treasury bills had not yet been received.
6. Utilities Frw 50,000 were accrued and salaries Frw 60,000 were prepaid at year end.
7. It was decided that bad debts Frw 5,200 be written off. This has not yet been incorporated in the books.
8. Provision for bad debts was reduced to Frw 500,000.
9. It is business policy to provide for depreciation of non-current assets at 12% per annum on reducing balance basis.

REQUIRED:

Prepare, for the year ended 31 December 2016 Nyirabageni:

- (i) Journal entries adjusting for the additional information (ignore narrations). **(10 Marks)**
- (ii) Statement of profit or loss. **(10 Marks)**
- (iii) Statement of financial position. **(10 Marks)**

(Total 40 Marks)

SECTION (B)

Attempt three questions in this section.

QUESTION TWO

- (a) Shyaka started a hardware business on 1 January, 2016. During the year ended 31 December, 2016, he incurred the following costs.

	Frw
Purchase of 2 trucks each at	87,500,000
Carriage inwards on trucks	1,000,000
Purchase of new building	125,000,000
Legal fees associated with purchase of new building	1,025,000
Technical control inspection fees for the trucks	100,000
Truck drivers' wages	1,800,000
Cost of repainting a new color on building	750,000
Installation of extra toilet in the new building	150,000
Repairs on the new building	375,000
Extension on new building to cater for display of merchandise	1,350,000
Carriage outwards	200,000
Replacing of lights in the building	80,000

REQUIRED:

Determine the amount of:

- (i) Capital expenditure. **(3 Marks)**
- (ii) Revenue expenditure. **(3 Marks)**

(b) Rukundo runs a hotel business in Gikongoro town and has provided you with the following information:

- 1 Rukundo purchased a washing machine Frw 1,500,000 on 1 January, 2014. On 1 January, 2015 the washing machine got faulty and could not work anymore. It was disposed of as scrap for Frw 250,000.
- 2 A new washing machine was acquired from Japan on 1 July 2015 at a purchase price of Frw 2,500,000 and shipping costs and taxes Frw 500,000. Rukundo paid Frw 100,000 to train the workers on how to operate the machine.
- 3 On 1 January, 2016 Rukundo added another washing machine at Frw 2,000,000 because the number of customers had increased.
- 4 Rukundo's Capital account had a balance of Frw 4,225,000 on 31 December, 2015 and profit for the year ended 31 December 2016 was Frw 743,000. All these were before the recording of the above transactions for years ended 31 December 2015 and 31 December 2016.
- 5 Rukundo depreciates all his non-current assets by 20% per annum on a reducing balance basis and charges a full year's depreciation in the year of purchase and none in the year of disposal.
- 6 All transactions are effected through the bank.

REQUIRED:

- (i) Washing machines account for the three years ended 31 December, 2014, 2015 and 2016. **(3 Marks)**
 - (ii) Accumulated depreciation of washing machines account for the three years ended 31 December, 2014, 2015 and 2016. **(5 Marks)**
 - (iii) Disposal of washing machines account. **(2 Marks)**
 - (iv) Capital account for the two years ended 31 December 2015, and 2016 after considering the above adjustments. **(4 Marks)**
- (Total 20 Marks)**

QUESTION THREE

- (a) Explain, with examples, any **five** reasons a cash book bank balance may not be the same as the bank statement balance at a given date. **(10 Marks)**
- (b) The following information relates to the books of Kamanzi Enterprises, dealers in industrial chemicals.

Un-reconciled items on 30 September, 2016:

Direct debits:	Frw	Un-credited cheques:	Frw
Bank charges	8,750	Cheque No. 220	800,000
Excise duty	625	Cheque No. 1414	420,000
Interest on bank loan	5,500	Cheque No. 1750	120,000
Direct credits:		Un-presented cheques:	
Ngoga Enterprises	1,500,000	Cheque No. 005	1,100,000
Interest on deposits	500,000	Cheque No. 011	3,200,000

Cash book (bank column) for the month ended 31 October, 2016.

Details	Dr Frw	Details	Cr Frw
Balance b/ d	14,240,500	Bank charges	8,750
Ngoga Enterprises	1,500,000	Excise duty	625
Interest on deposits	500,000	Cheque No. 21	440,000
Cheque No. 19	2,000,000	Cheque No. 23	6,500,000
Cheque No. 4412	560,000	Cheque No. 24	4,000,000
Cheque No.51123	1,200,000	Cheque No. 0002	3,000,000
Cheque No. 25	10,000,000	Cheque No. 26	1,540,000
Cheque No. 33312	4,500,000	Cheque No. 28	650,000
Cheque No. 1111	480,000	Cheque No. 29	820,000
Cheque No. 01012	330,000	Cheque No. 30	1,000,000
Cheque No. 6664	2,200,000	Balance c/ d	19,551,125
	<u>37,510,500</u>		<u>37,510,500</u>

Bank statement for the month ended 31 October, 2016

Details	Dr. 'Frw'	Cr. 'Frw'	Balance 'Frw'
Balance b/ d			19,185,625
Cheque No. 220		800,000	19,985,625
Cheque No. 1750		120,000	20,105,625
Cheque No. 011	3,200,000		16,905,625
Cash deposit		8,000,000	24,905,625
Cheque No 19	2,000,000		22,905,625
Interest on deposit		200,000	23,105,625
Cheque No 25	1,000,000		22,105,625
Hitimana Investments		8,500,000	30,605,625
Cheque No. 1111		480,000	31,085,625
Cheque No. 01012	3,300,000		27,785,625
Details	Dr. 'Frw'	Cr. 'Frw'	Balance 'Frw'
Cheque No. 6664		2,200,000	29,985,625
Cheque No. 21	440,000		29,545,625
Cheque No. 23	5,600,000		23,945,625
Cheque No. 24	4,000,000		19,945,625
Cheque No. 0002		300,000	20,245,625
Bank charges	10,750		20,234,875
Interest on bank loan	220,000		20,014,875
Cheque No. 30	1,000,000		19,014,875
Cheque No.51123		1,200,000	20,214,875

Additional information:

1. The bank made an error on cheque Number 01012.
2. Cheques number (4412) and (26) were dishonored by the banks.
3. Any other error, if found, should be deemed to have occurred in the cash book.

REQUIRED:

Prepare for Kamanzi Enterprises:

- (i) An adjusted cash book. (7 Marks)
- (ii) A bank reconciliation statement starting with adjusted cash book balance. (3 Marks)

(Total 20 Marks)

QUESTION FOUR

- (a) Nyaruguru Enterprises does not employ an experienced bookkeeper and has approached you to help them determine the amount of cash at hand and cash at bank for the month of May, 2017 and have provided you with the following transactions for the month.

Date	Details
1 May	Balances b/ f:
	Cash at hand Frw 7,500,000
	Cash at bank Frw 24,600,000
2 May	Purchased goods Frw 1,500,000 cash.
4 May	Purchased delivery van Frw 7,000,000 paying Frw 2,000,000 cash, Frw 3,500,000 by cheque and received a note payable for the balance.
5 May	Sold goods Frw 800,000 cash.
7 May	Bought fuel Frw 100,000 cash and repaired the delivery van paying by cheque Frw 200,000.
8 May	Purchased goods Frw 4,000,000 on credit.
11 May	Withdrew Frw 300,000 from the bank for petty cash.
15 May	Paid salaries Frw 500,000 by cheque.
16 May	Sold goods and received a cheque Frw 2,000,000.
20 May	Paid rent Frw 125,000 by cheque.
22 May	Paid utilities Frw 50,000 cash.
25 May	Purchased goods Frw 2,500,000 paying by cheque.
26 May	Sold goods Frw 3,000,000 on credit.
26 May	Paid a creditor Frw 2,800,000 by cheque.
27 May	Received Frw 2,200,000 cash from a debtor.
28 May	Withdrew Frw 550,000 cash to donate to Ruhango children's home.
30 May	Purchased land for business Frw 10,000,000 paying by cheque.
30 May	Cleared and fenced off the land Frw 62,500 cash.

REQUIRED:

Prepare a Two Column cash book for Nyaruguru Enterprises for the month of May 2017. (10 Marks)

- (b) Nyamasheke Social Club had the following assets and liabilities on 31 December, 2014:

	Frw
T-shirts for sale	5,000,000
Subscriptions in arrears	600,000
Accounts payable (T-shirt supplies)	640,000
Computers	6,000,000
Prepaid rent	250,000

For the year ended 31 December, 2015 the club's receipts and payments account was as follows:

Receipts	Frw	Payments	Frw
Balance b/ d	10,200,000	Accounts payable (T-shirts)	200,000
Subscription	8,000,000	Furniture	3,750,000
Sale of old computers	4,000,000	Salaries	1,240,000
T-shirt sales	8,500,000	Football expenses	560,000
Gate collection	13,000,000	Rent	600,000
Donations	9,000,000	New computers	1,125,000
		Stationery	300,000
		Utilities	150,000
		Balance c/ d	44,775,000
	<u>52,700,000</u>		<u>52,700,000</u>

Additional information:

1. The computers that were disposed had a net book value of Frw 3,800,000.
2. Non-current assets are depreciated at 10% per annum on cost.
3. The net profits from T-shirt sales were Frw 3,500,000.

REQUIRED:

- (i) Determine the amount of accumulated fund as at 31 December, 2014. **(3 Marks)**
 - (ii) Prepare a statement of income and expenditure for the year ended 31 December, 2015. **(7 Marks)**
- (Total 20 Marks)**

QUESTION FIVE

(a) Explain the:

- (i) Reasons why businesses may have incomplete records. **(3 Marks)**
- (ii) Purpose of any five books of original entry. **(5 Marks)**
- (iii) Purpose of control accounts. **(4 Marks)**

(b) The following information relates to Mugabo Ltd for the month of March, 2017.

	Frw "000"
Accounts receivable 1 March, 2017	16,200
Accounts payable 1 March, 2017	22,500
Cheques paid to suppliers	6,400
Bad debts written off	100
Cash received from debtors	2,000
Discounts received	125
Cheques received from customers	1,200
Return outwards	212
Customers' cheques dishonored	200
Excess refund to a customer	500
Cash sales	8,000

Excess refund from suppliers	90
Cheques to suppliers dishonoured	600
Carriage inwards	350
Cash purchases	5,000
Carriage outwards	420
Cash purchases	3,400
Accounts receivable 31 March, 2017	34,560
Accounts payable 31 March, 2017	27,120

REQUIRED:

Prepare the following control accounts for the month of March, 2017:

(i) Accounts receivable. **(4 Marks)**

(ii) Accounts payable. **(4 Marks)**

(Total 20 Marks)

End of question paper