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## **CERTIFIED ACCOUNTING TECHNICIAN(CAT)**

### **LEVEL 1 EXAMINATION**

#### **L1.1: INTRODUCTION TO FINANCIAL ACCOUNTING**

**MONDAY: 4 JUNE 2018**

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#### **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. Any assumptions made must be clearly and concisely stated.

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## QUESTION ONE

- (a) With an example, distinguish between a trade discount and cash discount. **(4 Marks)**
- (b) Explain the difference between the trade receivables control account and the trade receivables subsidiary ledgers **(4 Marks)**
- (c) The following information was obtained from the books of Southern Province Enterprises Limited (SPEL) for the month of January, 2018:
- 1 Opening balances:  
Capital Frw 20,000,000, receivables Frw 4,000,000, payables Frw 12,000,000, cash Frw 1,200,000, bank Frw 13,600,000 and non-current assets Frw 13,200,000.
  - 2 Made purchases Frw 5,000,000 paying by cheque and Frw 6,000,000 from Ruhengeri Suppliers Ltd on credit.
  - 4 Purchased furniture, a component of a non-current assets Frw 300,000 paying in cash.
  - 7 Sold goods Frw 3,000,000 to Gitarama Retail business receiving, 60% in cash and the balance was to be received in February, 2018.
  - 10 Returned goods Frw 100,000 to Ruhengeri Suppliers Ltd relating to purchases that were found to be defective.
  - 12 Received a debit note from Gitarama Retail business Frw 200,000 for items that had expired at the time of sale.
  - 14 Made purchases Frw 2,400,000 on credit from Ruhango Enterprises. However, the business sent a debit note Frw 50,000 to Ruhango Enterprises on 20 January for goods that were received but not of the required specifications.
  - 25 Purchased additional non-current assets, i.e. computer Frw 375,000 in cash and refrigerator Frw 320,000 paying by cheque.
  - 26 Paid salaries and wages Frw 450,000, utilities Frw 240,000 and transport Frw 150,000 by cheque.
  - 27 Sold goods on credit to Rukundo Ltd Frw 400,000.
  - 28 Goods worth Frw 100,000 were returned by Rukundo Ltd for not conforming to the order.

### REQUIRED:

- (i) Prepare for SPEL the following books of account:
- Sales day book **(1 Mark)**
  - Purchases day book **(1 Mark)**
  - Return in wards day book **(1 Mark)**
  - Return outwards day book **(1 Mark)**
  - Cash book **(6 Marks)**
- (ii) Post the transactions to the general ledger accounts. **(16 Marks)**
- (iii) Extract a trial balance. **(6 Marks)**
- (Total: 40 Marks)**

**Hint:** Prepare a single account for each of the following; Non-current asset, receivables, payables and expenses.

## QUESTION TWO

- (a) With an example, explain the distinction between revenue and capital expenditure. **(2 Marks)**
- (b) The following information relates to the non-current assets for Kebho General Merchandise Limited for the year ended 31 December, 2017.

Asset	Date of Acquisition	Cost	Depreciation	
			Rate per annum	method
		Frw '000'		
Computer	1 July, 2015	525	20%	Straight line
Pickup truck	1 Jan., 2016	10,000	10%	Straight line

The following information is also relevant:

1. The company imported a generator for the factory on 1 January, 2017. The purchase price was Frw 12,500,000 and the additional expenses incurred included Frw 500,000 in transport costs, Frw 2,500,000 and Frw 400,000 in non-refundable taxes and refundable taxes respectively, Frw 250,000 in installation costs, and Frw 400,000 in fuel for the generate to run during times of power cuts. The depreciation policy on the generator is 10% per annum on cost.
2. All Acquisitions were paid for by cheque.
3. The company provides full year depreciation in the year of purchase. The company's financial year ends on 31 December each year.

### REQUIRED:

Prepare the following accounts for each of the years ended; 2015, 2016 and 2017.

- (i) A single non-current assets account. **(4 Marks)**
  - (ii) A single depreciation account. **(8 Marks)**
  - (iii) A single accumulated depreciation account. **(5 Marks)**
  - (iv) A single bank account. **(1 Marks)**
- (Total 20 Marks)**

### QUESTION THREE

Nirere Transporters Limited has provided the following trial balance for the year ended on 31 December, 2017:

	Dr (Frw)	Cr (Frw)
Capital		72,624,700
Trucks at cost	67,500,000	
Furniture at cost	16,000,000	
Office buildings at cost	50,000,000	
Cash	87,500,200	
Bank		11,000,000
Trade receivables and payables	5,000,000	1,000,000
Utilities expense	1,125,000	
Road license	2,200,000	
Accumulated depreciation:		
Trucks		2,500,000
Furniture		1,200,000
Office buildings		5,000,000
Salaries	7,200,000	
Retained profits at 1 January, 2017		41,200,500
Discounts allowed to customers	4,500,000	
Revenue		100,500,000
Rent	1,500,000	
Parking fees	13,500,000	
18% bank loan		25,000,000
Loan interest paid	4,000,000	
	<b><u>260,025,200</u></b>	<b><u>260,025,200</u></b>

Additional information:

- 1 Road license Frw 5,800,000 and salaries Frw 300,000 remained outstanding by year end.
- 2 Utilities were paid on 1 January, 2017 for a period of 18 months.
- 3 Trade receivables Frw 2,000,000 should be written off as bad.
- 4 Included in revenue is Frw 10,000,000 received in November, 2017 for transporting goods for a customer in February, 2018.
- 5 The balance on the loan interest remained outstanding by the end of the financial year.
- 6 It is the company's policy to depreciate non-current assets at 20% per annum on reducing balance.

#### REQUIRED:

Prepare, for Nirere Transporters Limited, a statement of:

- (a) profit or loss for the year ended 31 December 2017
- (b) financial position as at 31 December 2017.

(Hint: provide all workings)

**(10 Marks)**

**(10 Marks)**

**(Total: 20 Marks)**

#### QUESTION FOUR

- (a) Explain the:
- (i) ethical principles by which accountants are supposed to abide according to the iCPAR code of ethics. **(6 Marks)**
  - (ii) difference between financial accounting and management accounting. **(6 Marks)**
- (b) Explain the meaning of the following accounting concepts and give the circumstances when they are applied in the preparation of financial reports.
- (i) Substance over form. **(2 Marks)**
  - (ii) Accrual. **(2 Marks)**
  - (iii) Prudence. **(2 Marks)**
  - (iv) Going concern. **(2 Marks)**
- (Total: 20 Marks)**

#### QUESTION FIVE

Chantal's trial balance failed to agree, the debit side exceeding the credit side by Frw 23,790,000 on 31 March, 2018. The balance was entered in a suspense account. The reported net profit was Frw 2,500,700. On further examination of the books, the following issues were discovered:

- 1 Interest expense Frw 2,200,000 paid by Chantal was debited in the interest received account as Frw 22,000,000.
- 2 Bank charges Frw 10,000 was discovered on presentation of bank statement only entered in the cash book on 10 March, 2018.
- 3 The sales day book was under-cast by Frw 80,000 while the purchases daybook was over-cast by Frw 30,500
- 4 The personal motor vehicle surrendered to the business by Chantal Frw 11,250,000 was not recorded in the books.
- 5 Discount allowed Frw 3,500,000 was credited in the respective account but no debit entry was passed. Similarly, discount received Frw 5,500,000 was debited to the respective account but no credit entry was made.
- 6 The building was extended at a cost of Frw 30,000,000 but this was debited in the building repairs account and correctly recorded in the corresponding account
- 7 A cheque of Frw 1,000,000 from a customer Nkunda was erroneously debited in the creditors account.
- 8 Return inwards Frw 80,000 was debited in the carriage inward account.
- 9 Utilities paid Frw 75,000 was omitted from the books.

#### REQUIRED:

Prepare, for Chantal:

- (a) Journal entries to correct the above errors. **(11 Marks)**
  - (b) A suspense account. **(3 Marks)**
  - (c) A statement of corrected net profit. **(6 Marks)**
- (Total: 20 Marks)**

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