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CERTIFIED ACCOUNTING TECHNICIAN STAGE 2 EXAMINATION

S2.1: PREPARATION OF BASIC ACCOUNTS

DATE: WEDNESDAY 29, NOVEMBER 2023

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

Which of the following statements is true about the business entity concept?

- A Generally, a business is always treated as legal entity registered on its own but it is not separate from its owners
- B In Rwanda, there is no legal distinction between the business of a sole trader and its owner
- C Business entity concept is the same as prudence concept
- D An entity is considered to be in business/ operation for indefinite period.

(2 Marks)

QUESTION TWO

You are provided with the following expenditures incurred by the business for the year ended 31st December 2022.

Items	FRW
Purchase of an extra Van	1,500,000
Cost of repairing warehouse wall which had fallen down	800,000
Building extension to the warehouse	1,500,000
Painting extension to warehouse when it is first built	500,000
Repainting extension to warehouse three years later after the initial paint	300,000
Carriage cost on bricks for new warehouse extension	200,000

What is the total value of capital expenditure for the year ended 31st December 2022?

- A FRW 4,800,000
- B FRW 3,700,000
- C FRW 4,500,000
- D FRW 4,600,000

(2 Marks)

QUESTION THREE

The Accounting Equation is connected with...?

- A Assets only
- B Liabilities only
- C Capital only
- D Assets, Liabilities and Capital

(2 Marks)

QUESTION FOUR

According to the double entry concept, **which of the following transactions affects Liability?**

- A Goods purchased on cash
- B Machinery purchased on cash
- C Cash received from Debtors
- D Salary outstanding

(2 Marks)

QUESTION FIVE

Which of the following statements is/are false?

- A An accrual is a current liability; a prepayment is a current asset.
- B An accrual is a liability; a prepayment is a non-current asset.
- C An accrual is an amount owing at the end of a period; a prepayment is an amount paid in advance.
- D An accrual is a liability; a prepayment is an asset.

(2 Marks)

QUESTION SIX

Moon owns a non-current asset which cost FRW 3,000,000 and it is recorded at its carrying amount in the financial statements.

Which of the following accounting principles has been applied?

- A Business entity
- B Consistency
- C Money measurement
- D Going concern

(2 Marks)

QUESTION SEVEN

Which of the following statements is/are true about the historical cost principle?

- A Transactions are normally stated in accounts at their original historical amount
- B The value of an asset in a statement of financial position is based on the price that was paid for it.
- C Accountants prefer to deal with objective costs, rather than with estimated values
- D All of the above

(2 Marks)

QUESTION EIGHT

The Statement of Financial Position gives the information about?

- A Assets and Liabilities
- B Expenses
- C Incomes
- D Changes in cash position

(2 Marks)

QUESTION NINE

You are provided with the information for the business of Romania trading as at 31st December 2022: (Use same information on question 10)

Items	FRW “000”
Inventories	5,000
Trade receivables	3,000
Long term Investments	1,500
Cash and bank	500
Bank overdraft	1,650
Trade payables	6,000
Taxation Payable	1,000
Dividend (proposed)	200
Loan	1,000
Ordinary shares	4,000
Share premium	4,650
Retained earnings	11,500

What is the value of current assets?

- A FRW 8,500,000
- B FRW 10,000,000
- C FRW 11,650,000
- D FRW 10,150,000

(2 Marks)

QUESTION 10

Using same information provided on Question Nine, **what is the value of total liabilities?**

- A FRW 8,200,000
- B FRW 9,850,000
- C FRW 12,200,000
- D FRW 9,650,000

(2 Marks)

QUESTION 11

The trial balance of Mugenga includes the following balances as at 31st December 2022:

- (i) Insurance
- (ii) Trade payables
- (iii) Trade receivables

Which of the following statements is correct?

- A Insurance is a current asset, trade payables is an expense, trade receivables is a current liability.
- B Insurance is an expense, trade payables is a current liability, trade receivables is a current asset.
- C Insurance is an expense, trade payables is a current asset, trade receivables is a current liability.
- D Insurance is a current liability, trade payables is an expense, trade receivables is a current asset.

(2 Marks)

QUESTION 12

It is very important that businesses keep financial records for both internal and external use.

Which of the following is a component of accounting records?

- A Source documents
- B Books of prime entry
- C Ledger accounts
- D All of the above

(2 Marks)

QUESTION 13

Which of the following is true about sales invoices and credit notes?

- A Invoices are entered in the sales daybook.
- B Credit notes are also recorded in the sales daybook.
- C Invoices and credit notes are posted to the customer account, with a corresponding credit/debit to the sales account in the statement of profit or loss.
- D Both A&C.

(2 Marks)

QUESTION 14

You are provided with the following transactions:

Menara sold goods for FRW 1,000,000 and received 60% of the goods in cash. The customer promised to deposit the balance to the bank account after 3 weeks.

Which entries to be recorded in the books of accounts?

- A Dr. Cash FRW 600,000 Dr. Bank FRW 400,000; Cr. sales FRW 1,000,000
- B Dr. Cash FRW 600,000 Dr. Receivables FRW 400,000; Cr. sales FRW 1,000,000
- C Dr. Sales FRW 1,000,000 Cr. Cash FRW 400,000; Cr. Receivables FRW 1,000,000
- D Dr. Cash FRW 600,000 Dr. Bank FRW 400,000; Cr. Inventory FRW 1,000,000

(2 Marks)

QUESTION 15

A cash book is?

- A A book of original entry.
- B A ledger account.
- C A book of original entry as well as a ledger account.
- D None of the above.

(2 Marks)

QUESTION 16

Which of the following statements is/are true about the general ledger?

- A The general ledger is the same as the nominal ledger.
- B The general ledger summarizes the financial affairs of a business.
- C Only transactions that are not posted in other sales and purchase ledger are posted in the general ledger.
- D All of the above.

(2 Marks)

QUESTION 17

Keeping personal accounts of receivables is very important in addition to keeping a chronological record of invoices showing clearly how much money each individual credit customer owes. **This is because?**

- A A customer might telephone and ask how much they currently owe. Staff must be able to tell.
- B The business needs to match payments received against debts owed.
- C The managers of the business will want to keep a check on the credit position of an individual customer, and to ensure that no customer is exceeding their credit limit by purchasing more goods.
- D All of the above

(2 Marks)

QUESTION 18

Mugenzi has sold goods at a gross price of FRW 690,000 for product A and at the net price of FRW 480,000 for Product B. VAT is charged at 18%. **What is the total VAT charged?**

- A FRW 210,200
- B FRW 191,000
- C FRW 210,600
- D FRW 105,000

(2 Marks)

QUESTION 19

The following statements are true about the Journal “**except**”?

- A The journal keeps a record of unusual movement between accounts.
- B The journal used to record any double entries made which do not arise from the other books of prime entry.
- C The journal is source document that captures transactions before they are posted in the ledger.
- D Each journal entry must be accompanied by a narrative explanation.

(2 Marks)

QUESTION 20

Which of the following are reasons for maintaining control accounts?

- (i) To simplify the preparation of final accounts
- (ii) To check the accuracy of postings
- (iii) To confirm the value of sales
- (iv) To assist in locating errors in posting

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

(2 Marks)

QUESTION 21

While preparing the bank reconciliation statement, **how do you treat the deposit in transit?**

- A Added to Bank Balance.
- B Subtracted from Bank Balance.
- C Subtracted from the Cash Book Balance.
- D Added to Cashbook Balance.

(2 Marks)

QUESTION 22

Munenwa prepared the books of accounts and it was later discovered that sales transaction was recorded in the sales account as FRW 6,843,000, but it was incorrectly recorded in the receivables account as FRW 6,483,000.

What type of error is this?

- A Error of transposition.
- B Error of omission.
- C Error of principle.
- D Error of commission.

(2 Marks)

QUESTION 23

Which of the following statements is/are true about carriage inwards and carriage outwards?

- A Carriage inwards is the transportation cost paid by the buyer whereas carriage outwards are the transportation cost paid by the supplier
- B Carriage inwards is added to the cost of goods sold whereas carriage outwards are added in selling and distribution expenses
- C Carriage inwards and carriage outwards decrease the profit for the year
- D All of the above

(2 Marks)

QUESTION 24 (use the information also for question 25)

Kagenza opened a business on 01st January 2022 and he was paying a monthly insurance of FRW 300,000. During the year ended 31st December 2022 he paid a total insurance of FRW 3,000,000. **This results into?**

- A Prepaid Insurance of FRW 300,000
- B Accrued insurance of FRW 600,000
- C Prepaid insurance of FRW 2,700,000
- D Accrued insurance of FRW 3,300,000

(2 Marks)

QUESTION 25

From the information on question 24, **what is the insurance expense that will be recognized in the profit/loss account for the year ending 31 December 2022?**

- A FRW 3,000,000
- B FRW 3,300,000
- C FRW 1,800,000
- D FRW 3,600,000

(2 Marks)

QUESTION 26

Jeremy has a spare space in his warehouse. He rents part of it at FRW 600,000 per month. During the year ended 31st December, he received FRW 6,000,000. **How will he treat this in the books of accounts?**

- A Prepaid Rent income of FRW 1,200,000
- B Accrued Rent income of FRW 1,200,000
- C Rent income of FRW 6,000,000
- D No recording until the full rent is received

(2 Marks)

QUESTION 27

The following statements are true about the receivables “except”?

- A Receivables can be broken down into trade receivables and non-trade receivables.
- B non-trade receivables may arise from many different types of transaction like provision of loans to employees.
- C Receivables represent the amount owed by the business to different customers.
- D Receivables are recognized in the statement of financial position as current assets.

(2 Marks)

QUESTION 28

On 31 December 2022 the receivables balances in the books of Mireille amounted to FRW 40,000,000. Her experience during the year has convinced her that an allowance of 5% should be made. Given the fact that in the previous year an allowance of FRW 280,000 was made.

What is the accounting entries that Mireille should make on 31 December 2022?

- A Dr. Irrecoverable debts expense FRW 1,720,000; Cr. Receivables FRW 1,720,000
- B Dr. Irrecoverable debts expense FRW 2,000,000; Cr. Allowance for receivables FRW 2,000,000
- C Dr. Allowance for receivables FRW 2,280,000; Cr. Irrecoverable debts expense FRW 2,280,000
- D Dr. Irrecoverable debts expense FRW 1,720,000; Cr. Allowance for receivables FRW 1,720,000

(2 Marks)

QUESTION 29

A company had FRW 10,000 of inventory on hand at the beginning of the month, expends FRW 25,000 on various inventory items during the month, and has FRW 8,000 of inventory on hand at the end of the month. **What was its cost of sales during the month?**

- A FRW 27,000
- B FRW 43,000
- C FRW 23,000
- D FRW 35,000

(2 Marks)

QUESTION 30

Muramira has an inventory item that was purchased at FRW 180,000, incurred FRW 15,000 to transport it to the store. It is expected to be sold at FRW 300,000 and commission of FRW 106,000 will be paid to sales staff. While preparing his financial statements, **at what value would the inventory item be recognized at in accordance with IAS 2?**

- A FRW 180,000
- B FRW 195,000
- C FRW 194,000
- D FRW 300,000

(2 Marks)

QUESTION 31

It is a technique used to assign cost to inventories which provides that the components issued are deemed to have formed part of the oldest consignment still unused and are costed accordingly:

Which is that technique below?

- A Weighted average cost
- B LIFO (Last in, First out)
- C Cost assignment
- D None of the above

(2 Marks)

QUESTION 32 (use same information on next question 33)

On 01st November 2022, a company had 300 units of finished goods in inventory valued at FRW 12,000 each. During the month, 2 batches of finished goods were received into store from the production department, as follows.

	Units received	Production cost per unit (FRW)
10 November	400	12,500
25 November	400	14,000

Goods sold out of inventory during November were as follows.

	Units received	Selling price per unit (FRW)
15 November	500	20,000
26 November	500	20,000

What is the value of closing inventory at the end of the month using FIFO (first in first out) method?

- A FRW 3,600,000
- B FRW 1,250,000
- C FRW 1,400,000
- D FRW 1,325,000

(2 Marks)

QUESTION 33

Using the same information from question 32, **what is the gross profit from selling this inventory in November 2022 using FIFO (first in first out) method?**

- A FRW 7,050,000
- B FRW 20,000,000
- C FRW 16,250,000
- D None of the above

(2 Marks)

QUESTION 34

Which of the following statements is “true” about depreciation of an asset?

- A Depreciation is a systematic allocation of depreciable amount over its estimated useful life
- B Depreciation is cash expense
- C Depreciation is not a way to reflect the revised value of an asset
- D Depreciation is a fund set aside for future replacement of non-current assets

(2 Marks)

QUESTION 35

At the beginning of the year ending 31st December 2021, Merci acquired a motor vehicle at FRW 10,000,000 which has an estimated useful life of 5 years and estimated residual value of FRW 2,000,000. Using the straight-line method, **what is the annual depreciation charge for the year ending 31st December 2022?**

- A FRW 2,000,000
- B FRW 1,600,000
- C FRW 2,400,000
- D FRW 3,200,000

(2 Marks)

QUESTION 36

On 01st January 2022, Maine acquired furniture and fittings at a purchase price of FRW 15,000,000. He also hired a lorry to transport them to his warehouse for FRW 800,000. If all payments were made on cash, **what will be the entry in his books of account to date?**

- A Dr. Furniture and Fittings: FRW 15,000,000; Dr. Transport expense: FRW 800,000 and Cr. Cash: FRW 15,800,000
- B Dr. Furniture and Fittings: FRW 15,800,000; and Cr. Cash: FRW 15,800,000
- C Dr. Cash FRW 15,800,000; Cr. Furniture and Fittings: FRW 15,800,000;
- D Dr. Furniture and Fittings: FRW 14,200,000; and Cr. Cash: FRW 14,200,000

(2 Marks)

QUESTION 37

At 31st December 2022, Monia sold an equipment that was originally acquired 3 years ago at FRW 16,000,000 making a loss on disposal of FRW 3,000,000. **What was the proceeds from disposal if the asset was depreciated using straight line method at 20% per annum?**

- A FRW 13,000,000
- B FRW 9,400,000
- C FRW 3,400,000
- D None of the above

(2 Marks)

QUESTION 38

Which of the following statements is/true about Value Added Tax (VAT)?

- A VAT registration for companies is carried out online with the Rwanda Development Board, which will issue a certificate of registration.
- B Compulsory registration for VAT is required if the turnover from a business' taxable supplies, excluding VAT, exceeds FRW 20 million in the previous fiscal year or exceeds FRW 5 million in the last quarter.
- C VAT registration for individual businesses is with the RRA, which will issue a unique Tax Identification Number (TIN) to the business.
- D All of the above.

(2 Marks)

QUESTION 39

The following are examples of exempted supplies in Rwanda, “except”?

- A Goods and services related to health.
- B Educational materials and services.
- C Jeans and small size T-shirts.
- D Precious metals.

(2 Marks)

QUESTION 40

Mwinyi sold goods at a total value of FRW 120,000 VAT inclusive. **What was the price of these goods before Tax?**

- A FRW 101,695
- B FRW 120,000
- C FRW 98,400
- D FRW 138,305

(2 Marks)

QUESTION 41

Which of the following statements is/true about the declaration of VAT?

- A The declaration process for VAT is different from other domestic taxes.
- B A VAT declaration is submitted to the RRA after relevant VAT Annexures have been completed.
- C While declaring VAT, the taxpayer must download an electronic form (the VAT Annexure) from the RRA e-tax website.
- D None of the above.

(2 Marks)

QUESTION 42

Which two of the following items are not adjusted by the extended trial balance?

- (i) Errors
- (ii) Depreciation
- (iii) Rental Expenses
- (iv) Wages

- A (i) and (ii)
- B (iv) only
- C (iii) and (iv)
- D None of the above

(2 Marks)

QUESTION 43

Pablo Ltd has the following information:

Description	FRW
Opening Inventory	7,120,000
Closing inventory	9,100,000
Sales	96,000,000

If the gross profit mark up of 33 a third percent should be considered on cost of all item Pablo Ltd sells.

What is the company's purchases?

- A FRW 73,980,000
- B FRW 65,980,000
- C FRW 70,020,000
- D None of the above

(2 Marks)

QUESTION 44

What is the correct accounting entry if the goods stolen or destroyed were not insured?

- A Debit insurance claim account and credit statement of profit or loss.
- B Debit statement of profit or loss (expense) and credit statement of profit or loss (gross profit calculation).
- C Debit cash and credit insurance claim.
- D None of the above.

(2 Marks)

QUESTION 45

The following are the insurance account data for the year ended 2022

Insurance account description	FRW
Opening balance brought forward	800,000
Closing balance carried forward	2,000,000
Insurance paid during the period by cash	11,400,000

What would be the insurance expense to be charged in the statement of profit or loss?

- A FRW 10,200,000
- B FRW (8,600,000)
- C FRW 12,600,000
- D None of the above

(2 Marks)

QUESTION 46

What is included the item which is not the statement of profit or loss item?

- A Cost of sales, revenue, carriage inwards, transport
- B Revenue, carriage outwards, accrued rent, wages
- C Revenue, cost of sales, insurance expenses, tax expense
- D All the above

(2 Marks)

QUESTION 47 (Use the information also on the question 48)

The following were extracted from accounting data of Mupendo, a sole trader who operates a business in Kimironko. While preparing, the following happened:

- (i) He omitted an invoice of rent amounting to FRW 1,000,000 which was yet to be paid, in the financial statements
- (ii) Opening stock had been overstated by FRW 500,000

If the net profit before the adjustments was FRW 480,000, **what would be the revised profit after the above adjustments?**

- A FRW 20,000
- B FRW 980,000
- C FRW 1,980,000
- D FRW 1,020,000

(2 Marks)

QUESTION 48

Among the following accounts, **which account will be affected by the above adjustments?**

- A Cost of sales
- B Accounts payable
- C Rent expenses
- D All of the above

(2 Marks)

QUESTION 49

Which of the following is not included in the partnership agreement?

- A Interest to be charged on partners' drawings
- B Interest to be paid to any loans made to the partnership by a partner
- C Interest to be paid to a bank which may lend the partnership
- D All of the above

(2 Marks)

QUESTION 50

Which of the following statements is /are not correct about the partnership?

- A The net profit is apportioned between the partners according to the partners' agreement
- B The residual profit or loss is shared to partners after allowed Partners salaries wing any interest charged against profit
- C Partners salaries are not an appropriation profit rather they are charged against profit.
- D None of the above

(2 Marks)

End of question paper