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**CERTIFIED PUBLIC ACCOUNTANT**  
**INTERMEDIATE LEVEL EXAMINATIONS**  
**S2.1: PREPARATION OF BASIC ACCOUNTS**  
**DATE: WEDNESDAY 27, NOVEMBER 2024**  
**MARKING GUIDE & MODEL ANSWERS**

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## SECTION A

### MARKING GUIDE

Question number	Correct answer	Marks	Question number	Correct answer	Marks
1	B	2	26	B	2
2	A	2	27	C	2
3	C	2	28	D	2
4	D	2	29	A	2
5	B	2	30	A	2
6	C	2	31	B	2
7	C	2	32	A	2
8	A	2	33	B	2
9	B	2	34	B	2
10	A	2	35	A	2
11	C	2	36	B	2
12	D	2	37	D	2
13	B	2	38	B	2
14	C	2	39	C	2
15	D	2	40	D	2
16	C	2	41	D	2
17	D	2	42	C	2
18	D	2	43	A	2
19	D	2	44	B	2
20	B	2	45	C	2
21	A	2	46	A	2
22	B	2	47	D	2
23	D	2	48	C	2
24	B	2	49	C	2
25	C	2	50	C	2

**2 Marks for each correct answer**

**Total marks 100**

## MODEL ANSWERS

### QUESTION ONE

**The correct answer is B.**

The accounting treatment was correctly in the correct class accounts, on a subsidiary account of the same nature was affected (i.e. Debtor account)

A is not correct because when the purchase of a motor vehicle is debited and credited in the correct account but with the wrong amount, is **not** an error of commission instead its error of original entry

C is not correct since the audit fees was debited in cash and cash equivalents instead of being credit and the expenses was credited instead of being debited. Hence this represent the error of complete reversal

D is not correct because by debited current assent account, the transaction was recorded in wrong account. Hence this represent error of principal

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### QUESTION TWO

**The correct answer is A.**

Because bad debt has an effect of reducing the balance of account receivable and this will be done by crediting the ledge account.

B is not correct because recorded in purchase ledger control account while our question related to sales ledger control account

C is not correct because recorded in purchase ledger control account while our question related to sales ledger control account.

D is not correct because initially by selling the sales were credit and debtors debited. After defaulting (bad debts) the receivables will be credit to reduce the receivables.

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### **QUESTION THREE**

**The correct answer is C.**

According to the IAS 2, The inventory is recognised at the lower of the carrying amount and net realisable value. From this NRV is FRW 4,800,000(FRW 5,100,000-FRW300,000).

A is not correct because only expected selling price was considered.

B is not correct because only purchase cost was considered.

D is not correct because the wrong formula of purchase cost minus expected selling expenses was used.

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### **QUESTION FOUR**

**The correct answer is D.**

The sales on credit are the ones which creates account receivables at a given reporting period if there are still unpaid.

A is not correct since the credit purchases are recognised as account payables

B is not correct since the payment was already effected by customer, instead bank or cash account is debited against a credit balance of sales account

C is not correct. The capital injections make party of the equity in financial statements

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### **QUESTION FIVE**

**The correct answer is B.**

According to the accounting rule the liability accounts will normally have credit balances and the credit balances are increased with a credit entry.

A is not correct because according to the accounting rule all the asset account normally has a debit balance.

C is not correct because according to the accounting rule all expenses account normally has a debit balance.

D is not correct because, B was already selected as the correct answer

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## QUESTION SIX

**The correct answer is C.**

$$\begin{aligned} \text{output VAT } (90,120,000 \times 18/118) &= \text{FRW}13,747,119 \\ \text{input VAT } (63,500,000 - 20\% (63,500,000)) \times 18\% &= \text{FRW}9,144,000 \end{aligned}$$

Therefore, by comparing the input and output VAT the company has a VAT payable worth FRW 4,603,119 (i.e. FRW 13,747,119- FRW 9,144,000)

A is not correct because the answer will be obtained if 20% of the exempt supplies were not deducted in taxable sales

Output VAT	(FRW 90,120,000*18/118)	FRW 13,747,118.64
In put VAT	(FRW 63,500,000*18/118)	FRW (9,686,440.68)
VAT Payable		FRW 4,060,678

B is not correct because a percentage of 18/118 was applied while the goods the figures were tax exclusive

Output VAT	(FRW 90,120,000*18/118)	FRW 13,747,118.64
In put VAT	(FRW 63,500,000*80/100*18/118)	FRW (7,749,152.54)
VAT Payable		FRW 5,997,966

D is not correct because one of the answer was assessed to be correct i.e. point C

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## QUESTION SEVEN

**The correct answer is C.**

To correct this error, the correct entry should have twice the amount to erase the effect of the incorrect entry and establish the accurate entry.

A is not correct because by debiting and credit the above account with the same balances, the result will be only to erase (to cancel) the initial errors.

B is not correct because by debiting bank and credit computer account, the result will be to increase again the error on accounts.

D is not correct, since C was assessed to be the correct answer.

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## QUESTION EIGHT

**The correct answer is A.**

An item is considered to be material when its omission will affect the presentation of financial statements. From this a pen is not considered as material

B is not correct because if it is omitted, the financial statement will be materially misstated

C is not correct because if it is omitted, the financial statement will be materially misstated

D is not correct because if it is omitted, the financial statement will be materially misstated

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## QUESTION NINE

**The correct answer is B.**

The revenue earned is FRW 5,500,000(FRW (30,000,000/5)\*11/12because in the year of 2023 the rent received is for 11 month started from 1<sup>st</sup> February 2023.

A is not correct because the figures will be obtained if the consideration of 12 months in a year is made instead of 11 months.

C is not correct since it's the figures of total received income.

D is not correct since the point B was assessed to be correct.

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## QUESTION 10

**The correct answer is A** as shown below

Details		FRW
Sales		350,000,000
Cost of sales	Opening balance	1,000,000
	Purchases	110,000,000
	Carriage in ward	10,000,000
	Closing stock(31/12/2023)	(50,000,000)
		71,000,000
Gross profit		279,000,000

B is not correct because the carriage in ward was omitted. See below table

Details		FRW
Sales		350,000,000
Cost of sales	Opening balance	1,000,000
	Purchases	110,000,000
	Closing stock(31/12/2023)	(50,000,000)
		61,000,000
Gross profit		289,000,000

C is not correct because closing balance would be omitted. See below table

Details		FRW
Sales		350,000,000
Cost of sales	Opening balance	1,000,000
	Purchases	110,000,000
	Carriage in ward	10,000,000
		121,000,000
Gross profit		229,000,000

D is not correct because opening balance was omitted. See below table

Details		FRW
Sales		350,000,000
Cost of sales		
	Purchases	110,000,000
	Carriage in ward	10,000,000
	Closing stock(31/12/2023)	(50,000,000)
		70,000,000
Gross profit		280,000,000

## QUESTION 11

**The correct answer is C.**

Carrying amount at the date of disposal= FRW 104,000,000(FRW 260,000,000-260,000,000\*6\*10%)

Net sales value= 105,000,000(FRW110,000,000-FRW 5,000,000)

Profit on disposal= FRW 1,000,000(FRW 105,000,000-FRW 104,000,000)

A is not correct because the answer will be obtained as illustrated in point B, but in assumption that the carrying amount is greater than selling value which is not correct

B is not correct because the result will mean that FRW 5,000,000 of selling expenses was not deducted from selling value hence giving FRW 6,000,000(FRW 110,000,000-FRW 104,000,000)

D is not correct because the result will be obtained by omission of selling expenses as explained in point A and also in assumption that the carrying amount is greater than selling value which is not correct

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## **QUESTION 12**

**The correct answer is D.**

Reducing the receivable, a double entry will be passed by Debiting Irrecoverable debts expense and Crediting Receivables control account

A is not correct because by debiting the account receivable, the receivable would be increased yet the effect of writ-off debt normally decreases the expected amount to be received from debtors.

B is not correct because write-off of debts does not relate to account liability account.

C is not correct because write off debts normally is recorded by debiting the Irrecoverable debts expense.

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## **QUESTION 13**

**The correct answer is B**

Because under the accrual basis, revenue is recognized when earned, and expenses are recognized when incurred, regardless of when cash is received or paid

A is not correct because the reporting period itself is not a basis of accounting; rather, it defines the period for which financial results are summarized and presented

C is not correct because Consistency is only a principle to ensures that the same accounting methods are consistently applied across different accounting periods, promoting comparability of financial statements

D is not correct because under cash basis, a transaction is recorded when cash is paid or received

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## QUESTION 14

**The correct answer is C.**

The balancing figures in account is credit balance of FRW 3800(FRW 604,500 –FRW 600,700)

A is not correct. The answer considered bank fees which is also the expenses already contributed to the closing balances (already captured) i.e. FRW 2,300(FRW 3,800-FRW 1,500)

B is also not correct because answer considered bank fees which is also the expenses already contributed to the closing balances (already captured) i.e FRW 5,300(3800+FRW 1,500)

D is not correct because one of the answer is correct

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## QUESTION 15

**The correct answer is D.**

Initially the ledger account has a balance of FRW 700,000, if you credit FRW 800,000 as omitted bank charges, the ledger account will show a credit balance of FRW 100,000

A is not correct because the consideration was also made on opening balances and omitted bank charges was not accounted for.

B is not also correct because the consideration was also made on opening balances and omitted bank charges was not accounted for.

C is not correct because the answer is showing that it's a debit balance while the correct answer is Credit balance

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## QUESTION 16

**The correct answer is C.**

Report with the vision and mission of the organization are strategic elements that define the purpose, goals, and values of an organization not a part of financial statement

A is not correct because balance sheet is types of financial statements which show the position of the company at the stated time.

B is not correct because income statements is types of financial statements which show the performance of the company during the period.

D is not correct because cash flow is types of financial statements that show the movement of money during the period of time.

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## QUESTION 17

**The correct answer is D.**

When a discount is given to customers (for early payment, for example), it reduces the amount receivable from them. Therefore, the discount allowed is treated as a reduction in the amount owed by customers, which is reflected on the debit side of the sales ledger control account.

A is not correct because, the discount allowed comes as result of sales hence to be captured in sales ledger account instead of purchase ledger account

B is not correct because they are not reductions in amounts owed by specific customers

C is not correct because, the discount allowed comes as result of sales hence to be captured in sales ledger account instead of purchase ledger account

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## QUESTION 18

**The correct answer is D.**

when the cash is paid by customer a debit balance on bank is made and a credit entry on receivable to reduce the receivable balance.

A is not correct because account payable is the balance that the company will pay and not be received.

B is not correct because expenses are settled by paying not by receiving(debiting) cash.

C is not correct because withdrawal relates to the money to be taken out of the business hence the bank is credited.

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## QUESTION 19

**The correct answer is D.**

The total assets of a business are entered in the company's Balance Sheet on the assets side: This step involves listing all assets that the company owns.

The total liabilities are listed on the Balance Sheet separately on the liabilities side along with the stockholder's equity: This step involves listing all the liabilities and the equity that the company owes.

The total liabilities are added to the stockholder's equity: This step ensures that the accounting equation balances, as assets are equal to the sum of liabilities and stockholder's equity.

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Therefore, all these steps are part of calculating and verifying the accounting equation:  $A=C+L$   
 $\text{Assets}=\text{Liabilities}+\text{Stockholder's Equity}$

A is not correct because This step involves listing all assets that the company owns.

B is not correct because This step involves listing all the liabilities and the equity that the company owes.

C is not correct answers because This step ensures that the accounting equation balances, as assets are equal to the sum of liabilities and stockholder's equity.

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## QUESTION 20

**The correct answer is B**

Assignment of cost to ending inventory and cost of sales - periodic system".  $\text{FRW } 11,000,000 = 1,000 \text{ units} \times \text{FRW } 11,000^*$  (\* $1,000 \times \text{FRW } 10,000 + 2,000 \times \text{FRW } 11,000 + 1,000 \times \text{FRW } 12,000 / 4 \text{ 000 units}$ ).

A is not correct because the figures will be obtained if the FIFO method is applied in computing the cost of sales by taking  $1,000 \text{ units} \times \text{FRW } 10,000$  equal to  $\text{FRW } 10,000,000$ .

C is not correct because the result will be obtained If the LIFO method is used. the  $\text{FRW } 12,000,000 = 1 \text{ 000 units} \times \text{FRW } 12,000$ .

D is not correct because the result will be obtained as shown on the point B.

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## QUESTION 21

**The correct answer is A.**

The credit sales for the year are determined by taking Cash from receivables  $\text{FRW } 15,000,000$  plus Closing receivables of  $\text{FRW } 50,000,000$  and Less  $\text{FRW } 25,000,000$  for opening balance of account receivables giving  $\text{FRW } 40,000,000$

B is not correct because  $\text{FRW } 90,000,000$  will be obtained by using a wrong formula of cash sales, plus closing balance, plus opening balance

C is not correct because the figures of  $\text{FRW } 60,000,000$  will be obtained by using a wrong formula of the closing balance of account receivable  $\text{FRW } 50,000,000 + \text{Opening balance of } \text{FRW } 25,000,000$  and minus the cash collection worth  $\text{FRW } 15,000,000$

D is not correct because the figures will be obtained by omitting the opening balances of receivables in actual formulae

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#### **QUESTION 22**

**The correct answer is B.**

Even if a trial balance is balanced, there is still a possibility of some errors in the accounting records.

A is not correct because a trial balance may balance and not having errors

C is not correct because a trial balance balancing does not mean that it is free from error, some errors does not affect trial balance

D is not correct because a trial balance may balance and not have any single error

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#### **QUESTION 23**

**The correct answer is D.**

In accounting, when the debit side of an account exceeds the credit side, it indicates that the account has a debit balance. This is typical for asset, expense, and loss accounts.

A is not correct because a credit balance implies that the credit side has exceeded the debit side

B is not correct because is not a standard accounting term, but it can refer to a situation where an account has excess funds or resources beyond what is needed or expected. It is often used in the context of equity or retained earnings to indicate that a company has more retained earnings than expected.

C is not correct because normal balance means the expected balance type (debit or credit) of a specific type of account hence this does relate to actual meaning of debit balance.

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#### **QUESTION 24**

**The correct answer is B.**

This entry correctly reflects the purchase of a non-current assets with part of the payment made immediately via bank (cash) and the remaining amount as a liability (accounts payable).

A is not correct because by the non-current asset cannot be expenses, instead they should be capitalized, further the portion of the balance by cash was not captured

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C is not correct because the transaction implies that the error of complete reversal will be committed.

D is not correct because the portion of balance paid in cash will be omitted. Hence the balance of account payables would be stated.

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## QUESTION 25

**The correct answer is C.**

The profit or loss on disposal is indeed calculated by deducting the net sales value (proceeds from sales) from the carrying amount (original cost minus accumulated depreciation) of the asset.

A is not correct because the depreciation of disposed assets should also be considered while determining the profit or loss on disposal.

B is not correct because as said above, the depreciation of disposed assets should also be considered while determining the profit or loss on disposal.

D is not correct because the comparison should be made with the carrying amount, not the original cost of the asset.

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## QUESTION 26

**The correct answer is B.**

Rent expenses is an expense which should be included in statement of profit and loss.

A is not correct because Retained earnings, current assets and prepaid expenses all are balance sheet items.

C is not correct because Account receivables, payables and other reserves all are balance sheet items.

D is not correct because Accrued expenses, prepayments and bank overdraft all are balance sheet items.

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## QUESTION 27

**The correct answer is C.**

It's important for the company to reconcile inventory received with liabilities recorded to ensure all transactions are properly accounted for. Any inventory received that has not been recorded as a liability should be recognized as such

A is not correct because according to accrual accounting principles, the company should recognize accounts payable when goods or services have been received, regardless of whether an invoice has been issued. The receipt of inventory creates an obligation to pay, which should be recorded as a liability (accounts payable).

B is not correct because while seeking confirmation from suppliers is good practice, failure to confirm should not automatically lead to non-recognition of the liability. The company has received the goods and has an obligation to pay for them, which should be recognized as accounts payable.

D is not correct because the option C is assessed to be correct

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## QUESTION 28

**The correct answer is D.**

The accounting standard requires to recognize the loan and cash at bank separately and not offset

A is not correct because the accounting does not allow offset.

B is not correct since the principle of recognizing loan and bank balance separately was not adhered with.

C is also not correct because the liability cannot be recorded on debit side in trial balance. The same to bank balance which cannot be recorded on credit side of the trial balance

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## QUESTION 29

**The correct answer is A.**

In the reducing balance method, depreciation is typically computed on the net book value (cost minus accumulated depreciation), not on the depreciable amount (cost minus residual value). The residual value is factored into the calculation of the depreciation rate but not deducted from the depreciable amount.

B is not correct because The reducing balance method uses a fixed percentage to calculate depreciation based on the asset's carrying amount.

C is not correct because Land is typically not depreciated because its useful life is considered indefinite and it does not typically diminish in value over time, all other non-current assets are entitled to depreciation.

D is not correct. This statement is true. Companies can choose to use different depreciation methods for different assets within the same asset category in the same accounting period.

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## QUESTION 30

**The correct answer is A.**

The formula will be Net sales (sales-return in wards)- Cost of sales (Opening stock+ Purchases- Return outwards-closing stock) giving FRW 176,000 as detailed below

Net sales is FRW 304,000 (FRW 320,000-FRW16,000)

Cost of sales is FRW 128,000 (FRW 24,000+FRW 160,000-FRW 32,000-FRW 24,000)

Gross profit= FRW 176,000(FRW 304,000-128,000)

B is not correct because the figures will be obtained if the if both return in wards and outwards are included in cost of sales

Net sales will be FRW 320,000

Cost of sales =128,000

Gross profit=FRW 192,000(FRW 320,000-FRW128,000)

C is not correct because the figure will be obtained of the return inward was included in sales and return outwards included in cost of sales

Net sales=FRW 288,000 (FRW 320,000-FRW32,000)

Cost of sales= FRW 144,000(FRW 24,000+FRW 160,000-FRW 16,000-FRW 24,000)

Gross profit =FRW 144,000 (288,000-FRW 144,000)

D is not correct because the figures will be obtained if both return inwards and return outwards are not considered

Sales=FRW 320,000

Cost of sales=FRW 160,000 (24,000+FRW 160,000-FRW 24,000)

Gross profit=FRW 160,000(FRW 320,000-FRW 160,000)

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### QUESTION 31

**The correct answer is B.**

Deferred revenue (unearned revenue) refers to money received by a business for goods or services not yet delivered or performed. In this case, rent collected in advance represents payment received for future rental periods.

**A, C and D are not correct answer because:**

A is not correct because accrued revenue means a revenue that has been earned by providing goods or services, but for which no cash has been received or invoiced by the end of the accounting period.

C is not correct because collected revenue does not relate with the expenses account.

D is not also not correct because rent collected is a revenue which does not relate with the expenses account.

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### QUESTION 32

**The correct answer is A.**

Opening balance of account receivables FRW150,000

Credit sales (70,000\*20/100) =FRW14000

Receivable collected =-1400

Closing balance FRW162,600

B is not correct because, the result will have obtained if all sales during the year are assumed to on credit.

If the assumption is that all sales were on credit

Opening balance of account receivables FRW 150,000

Credit sales FRW 70000

Receivable collected FRW (7000)

Closing balance 213,000

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C is not correct because the figures will be obtained if 10% of receivable is omitted while recomputing

Opening balance of account receivables	FRW 150,000
Credit sales	FRW 70000
Closing balance	FRW 220,000

D is not correct because the figures will be obtained if 10% is applied to total sales instead of credit sales

Opening balance of account receivables	FRW 150,000
Credit sales (70,000*20/100)	FRW 14000
Receivable collected (10% 70,000)	FRW (7000)
Closing balance	FRW 157,000

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### QUESTION 33

**The correct answer is B.**

The general journal is not a source document but a book of original entry that records transactions using information from source documents.

A is not correct because it is a source document. These records are not source documents themselves but are derived from various source documents like timesheets, pay slips, and tax forms. They compile information for payroll processing.

C is not correct because it is a source document. Credit notes are source documents that record the reduction in sales due to returns or allowances. They serve as evidence for adjusting the sales ledger.

D is not correct because it is a source document. Purchase orders are source documents that initiate the purchase process, specifying the items and terms of the purchase.

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## QUESTION 34

**The correct answer is B.**

Dividend payments are typically associated with corporations rather than partnerships. In a partnership, profits are distributed according to the agreed-upon profit-sharing ratio, not as dividends. that why it is the correct answer.

A is not correct because this is an item to be included in partnership agreement by outlining This outline how interest will be calculated and paid on the amounts contributed by partners.

C is not correct because it is an item to be included in partnership agreement. This specifies the terms for any loans provided by partners to the partnership and the interest payable on such loans.

D is not correct because it is an item to be included in partnership agreement that specifying the amount to be paid to the partners who work in the partnership as employees.

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## QUESTION 35

**The correct answer is A.** See below details

Purchase consideration, dealer's commission and cost to get car registered in his name.

Purchase cost of the asset	FRW 100,000,000
To get the car registered	FRW 500,000
Dealer's commission	FRW 2,000,000
Total	FRW 102,500,000

B is not correct because only purchase cost was considered i.e. FRW 100,000,000

C is not correct because the dealer's commission cost was not considered and capitalized

Purchase cost of the asset	FRW 100,000,000
To get the car registered	FRW 500,000
Total	FRW 100,500,000

D is not correct because the cost of repair was capitalized yet should be expensed

Purchase cost of the asset	FRW 100,000,000
Repair cost	FRW 3,000,000
To get the car registered	FRW 500,000
Dealer's commission	FRW 2,000,000
Total	FRW 105,500,000

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## QUESTION 36

**The correct answer is B.**

The VAT inclusive is calculated at the rate of 18/118 not 18/100

A is not correct because the statement is correct i.e. standard rated supplies and zero rated supplies

C is not correct because the statement reflects the reality based on the VAT law the exempted items must not be charged with VAT amount.

D is also not correct because the statement reflects the reality

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## QUESTION 37

**The correct answer is D.**

Opening stock	-
Purchases	FRW 53,400,000
Return outwards	FRW (400,000)
Closing stock	FRW (480,000)
Total	FRW 52,520,000

A is not correct because instead of deducting outward from purchases, the increase was made

Opening stock	-
Purchases	FRW 53,400,000
Return outwards	FRW 400,000
Closing stock	FRW (480,000)
Total	FRW 53,320,000

B is not correct because the answer only considered the purchases and the closing balance i.e. FRW 52,920,000(FRW 53,400,000-FRW 480,000)

C is not correct because the purchases was only considered as cost of sales

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### QUESTION 38

**The correct answer is B.**

Gross profit FRW 60,000,000

Other income FRW 480,000

**Expenses = FRW 28,000,000** Selling expenses 3,000,000 +Salary  
expenses 17,000,000 + Audit fees 500,000 + Distribution expenses 5,500,000 + Depreciation  
2,000,000)

Giving a net profit of 32,480,000 (FRW 60,000,000 + 480,000 - FRW 28,000,000)

A is not correct because depreciation charge was not included in total expenditures

C is not correct because other income was not added to gross profit

D is not correct because distribution expenses was not included in total expenses

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### QUESTION 39

**The correct answer is C.**

Control accounts do not directly record information from source documents. Instead, they summarize transactions that are initially recorded in subsidiary ledgers (such as sales ledgers and purchase ledgers) based on source documents

A is not correct because Control accounts summarize and cross-check the accuracy of individual transactions recorded in subsidiary ledgers.

B is not correct because by comparing control accounts with subsidiary ledgers, discrepancies and errors can be identified and corrected.

D is not correct because Control accounts allow for the efficient preparation of financial statements by providing summary balances.

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### QUESTION 40

**The correct answer is D.**

if the sales are made on credit, a sales account is credit and receivable account is debited.

A is not correct because when the sale is made, revenue account is credited further the receivable was debited instead of being debited.

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B is not correct because from sale an asset account is increased, further no transaction which affect the account payables.

C is not correct because the sale only attracts assets, not liabilities , further the revenue was debited instead of being credited

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#### **QUESTION 41**

**The correct answer is D.**

FRW 807,000 should have been credited to payables, but instead it was debited to payables. Both the control account and the memorandum ledger should be credited with 807,000 to correct the error, and FRW 807,000 again to record the invoice, i.e increase both by  $(2 \times \text{FRW } 807) = 1,614,000$

A is not correct because by reducing the entry by FRW 807,000 will be again increasing the error made.

B is not correct because also reducing the entry will be again increasing the error made.

C is not correct because by increasing the account by FRW 807,000. The result will only be reversing the error.

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#### **QUESTION 42**

**The correct answer is C.**

The "going concern" concept is a fundamental accounting principle that assumes a business will continue to operate for the foreseeable future and not be forced to liquidate or cease operations

A is not correct because the accounting equation is based on the fundamental relationship between assets, liabilities, and equity.

B is not correct because realization of profit is does not means the definition of going concern for the business.

D is not correct because is it represents the matching principle, not the going concern concept.

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### QUESTION 43

**The correct answer is A.**

The sales to be considered are FRW 600,000(FRW 3,000,000\*20%)+ FRW 500,000+FRW 1,200,000 which gives a total of FRW 2,300,000.

B is not correct because to get the answer, FRW 200,000 would be considered and the cash was received after 31 May 2024.

C is not correct because to get the balance both payments received after the 31 May 2024 and FRW 100,000 received by cheque would be considered.

D is not correct because to get the figures, a 100% instead of 20% would be made. Yet 80% was received by cheque.

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### QUESTION 44

**The correct answer is B.**

For VAT declaration ID number of buyers are not required

A is not correct because this is a key requirement to identify the tax payer in order to track the sales input declared by that taxpayer.

C is not correct because the invoice number show the tracking of the transaction number made by the tax payer.

D is not correct answer because there is no declaration of VAT allowed without identifying the date.

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### QUESTION 45

**The correct answer is C.**

Capital expenditures are investments in long-term assets that will be used in the business for more than one accounting period.

A is not correct because the amount larger does not means that it is a capital expenditure

B is not correct because item being shown in balance sheet does not means that it has to be a capital expenditure

D is not correct because capital expenditure should be more than one year.

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## QUESTION 46

**The correct answer is A.**

the figures to be taken to trial balance is the FRW 16,000 as credit balance in the trial balance.  
i.e. FRW 16,000 (FRW 86,000-FRW 72,000).

B is not correct because the balance should be debit

C is not correct because the figure represents the opening balances

D is not correct because the figure represents the opening balances

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## QUESTION 47

**The correct answer is D.**

It is important to determine the existing partners' share of the partnership's goodwill and assets when a new partner is admitted to ensure fair distribution and accurate capital accounts.

A is not correct (statement is true). When a new partner is admitted, it is common to revalue the partnership's goodwill and allocate it among the existing partners according to their current profit-sharing ratios.

B is not correct (statement is true). A new partner typically buys into the partnership by contributing capital, which may include purchasing a share of the existing goodwill and other assets.

C is not correct (statement is true). The new partner's contribution is recorded as a credit to their capital account, reflecting their investment in the partnership.

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## QUESTION 48

**The correct answer is C.**

This means that the transaction affects both sides of the cash book: the bank account (debit) and the cash account (credit).

A is not the correct because by only debiting this will mean that cash account will not be credited

C is not correct because by only crediting this will mean that the bank will not be debited

D is not correct because C was found to be the correct answer

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## QUESTION 49

**The correct answer is C.**

Since the cost is lower than net realizable value and IAS 2 requires to recorded the lower of the two, this was properly done hence no effect at all.

A is not correct because there is no entry required since the entry was done by recording the cost which is lower than net realizable value

B is not correct there is no entry required since the entry was done by recording the cost which is lower than net realizable value

D is not correct there is no entry required since the entry was done by recording the cost which is lower than net realizable value

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## QUESTION 50

**The correct answer is C**

Insurance per month (Insurance cost/18 Months)	FRW 2,000,000
Amount as per Period consumed during the year	FRW 10,000,000
Prepaid expense	FRW 26,000,000

A is not correct because it has only considered the insurance cost consumed up to 31 December as prepayment.

B is not correct because the 6 months was considered as insurance consumed to the year end.

D is not correct because one of the answer is correct.

**End of model answers and marking guide**