
CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATIONS
S2.1: PREPARATION OF BASIC ACCOUNTS
DATE: WEDNESDAY 27, NOVEMBER 2024

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 is the error of commission?

- A The purchase of motor vehicle debited and credited in the correct accounts but using wrong amounts.
- B Credit sales Credited to sales account but debited to a debtor x instead of Debtor named Y
- C Audit fees paid debited to cash and cash equivalents and credited to audit fees account
- D The Purchase of laptop debited to current asset account and credited to the bank account

(2 Marks)

QUESTION TWO

You have been recently hired as consultant of MZ Ltd as a finance officer, one of your responsibilities is to train new joiners in finance department. Ms. Gasaro has approached you to advice on where to record the bad debt in controls account.

Advise her on where bad debts are recorded in the control accounts?

- A On the credit side of the sales ledger control account.
- B On the credit side of the purchases ledger control account.
- C On the debit side of the purchases ledger control account.
- D On the debit side of the sales ledger control account.

(2 Marks)

QUESTION THREE

Akeza Ltd has recently purchased inventory items worth FRW 5,000,000. At the year end the stock was kept in stock and according to economic reasons, the company expect to sell the stock at FRW 5,100,000 and to incur selling expenses worth FRW 300,000.

At which value should Akeza Ltd recognize in inventory

- A FRW 5,100,000
- B FRW 5,000,000
- C FRW 4,800,000
- D FRW 4,700,000

(2 Marks)

QUESTION FOUR

The following transactions does not affect the account receivable, except?

- A Credit purchases
- B Cash sales
- C Capital injected in business by shareholders
- D Sales on credit

(2 Marks)

QUESTION FIVE

Which of the following account that have a credit balance according to the accounting rules?

- A An asset account
- B A liability account
- C An expense account
- D All of the above

(2 Marks)

QUESTION SIX

Atete Ltd has been trading over 5 years in manufacturing business. The following are the summary records of the company for the month of December 2023. VAT rate is 18%

Details	Amount
i. Sales (VAT inclusive)	FRW 90,120,000
ii. Purchases (VAT exclusive)	FWR 63,500,000

Note: 20% of the purchases were exempt supplies and all sales are standard rated

What is the amount of VAT payable or recoverable for the month of December 2023?

- A FRW 4,060,678
- B FRW 5,997,966
- C FRW 4,603,119
- D None of the Above

(2 Marks)

QUESTION SEVEN

Mr. UGWANEZA has recently completed his bachelor's degree from University of Rwanda, he was recently hired in company ABC Ltd to assist the finance department. in his responsibilities he was tasked to correct different errors made in account and among them was the purchase of a non-current asset worth FRW 500,000 which was debited in bank account and credited to asset account.

Advice Mr. UGWANEZA on correct entries that he will pass to address the above accounting entry.

- A Debit asset account by FRW 500,000 and Credit Bank account by FRW 500,000
- B Debit Bank account by FRW 500,000 and credit asset account by FRW 500,000
- C Debit Asset account by FRW 1,000,000 and Credit Bank account by FRW 1,000,000
- D None of the above

(2 Marks)

QUESTION EIGHT

One of the following is not an example of the materiality concept:

- A Purchase of a pen recorded as an expense instead of including in inventory
- B Purchase of plant for business
- C Purchase of building to extend the business
- D Purchase of car

(2 Marks)

QUESTION NINE

Munezero has opened a business on 01 January 2023. One of the warehouse was rented to the customer XYZ for FRW 30,000,000 for a period of 5 years starting on 01 February 2023. The followings revenues were received in regard to the rented warehouse

Date	Amount
	FRW
1/4/2023	1,500,000
8/5/2023	900,000
8/7/2023	400,000
31/12/2023	800,000

What is the value of revenue to be recognized in the profit or loss account for the year ended 31st December 2023?

- A FRW 6,000,000
- B FRW 5,500,000
- C FRW 3,600,000
- D None above

(2 Marks)

QUESTION 10

The following summaries were extracted from Iriba company's financial statements for the year ended 31 December 2023

Details	Amount
	FRW
Sales	350,000,000
Purchases	110,000,000
Closing stock(31/12/2023)	50,000,000
Carriage in ward	10,000,000
Other income	5,000,000
Administrative expenses	25,000,000
Selling expenses	8,000,000
Opening stock(01/01/2023)	1,000,000
Other expenses	5,000,000

What is the value of gross profit to be shown as a part of statement of profit or loss?

- A FRW 279,000,000
- B FRW 289,000,000
- C FRW 229,000,000
- D FRW 280,000,000

(2 Marks)

QUESTION 11

Rugwiro Ltd has recently sold machine equipment at FRW 110,000,000. The equipment was acquired 6 year ago at FRW 260,000,000 to which a depreciation rate of 10% was applied (straight line) and the company expect to incur additional fees of FRW 5,000,000 for disposing the asset.

What was the profit or loss on disposal of the asset?

- A Loss on disposal of FWR 1,000,000
- B Profit on disposal of FRW 6,000,000
- C Profit on disposal of FWR 1,000,000
- D A Loss on disposal of FRW 6,000,000

(2 Marks)

QUESTION 12

Munezero Ltd runs the financial year which ends 30 June, according to the financial statements the company had FRW 170,000,000 of account receivables. You have been recently hired by the company to assist in accounting department in preparation of financial statement for the year ended 30 June 2023. During accounting exercise, you have discovered the 20% of the total

receivables which was resolved by Senior management on 31 December 2022 as not recoverable was not recognized in books account

What are the journal entries are required to write off the above irrecoverable balance due from a customer(s)?

- A Debit Receivable control account, Credit Irrecoverable debts expense by FRW 34,000,000
 - B Debit liability account and credit account receivable account by FRW 34,000,000
 - C Debit allowance for doubtful debt and Credit Irrecoverable debts expense by FRW 34,000,000
 - D Debit Irrecoverable debts expense, Credit Receivable control account by FRW 34,000,000
- (2 Marks)**
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QUESTION 13

Transactions and other events are recorded in the periods in which they occur, not when they affect cash. **Which of the followings describe this statement?**

- A Reporting period.
- B Accrual basis
- C Consistency
- D Cash basis

(2 Marks)

QUESTION 14

Based on the information below, **what is the bank balance that will be transferred to the trial balance?** Bank Ledger for the company for the year ended 31 December 2023 is as follows:

Details	Debit	Credit
	FRW	FRW
Opening Balance b/f	20,000	
Bank fees		1,500
Sales	540,700	
Purchases		430,000
Tax refund	40,000	
Salaries		82,800
Operating expenses		80,000
Other expenses		10,200
Total	600,700	604,500

- A FRW 2,300 debit
- B FRW 5,300 Credit
- C FRW 3,800 Credit
- D None of the above

(2 Marks)

QUESTION 15

At 30 June 2024 the balance on the bank account in Imena's general ledger showed that he had a debit balance of FRW 700,000. When he carried out his bank reconciliation, he found that he had omitted bank charges of FRW 800,000 for the year to 30 June 2024.

What bank balance should be included on Imena 's opening trial balance at 1 July 2024?

- A FRW 700,000 debit
- B FRW 700,000 credit
- C FRW 100,000 debit
- D FRW 100,000 credit

(2 Marks)

QUESTION 16

Which of the following is not types of the financial statements?

- A Balance sheet
- B Income statements
- C Report with the vision and mission of the organization
- D statement of cash flows

(2 Marks)

QUESTION 17

Where is discount allowed recorded?

- A On the credit side of the purchase's ledger control account
- B On the credit side of the sales ledger control account
- C On the debit side of the purchases ledger control account
- D On the debit side of the sales ledger control account

(2 Marks)

QUESTION 18

When cash is debited, what typical asset account is credited?

- A Accounts payable
- B Expenses
- C Withdrawals
- D Accounts Receivable

(2 Marks)

QUESTION 19

Which of the following considerations are used to calculate the accounting equation?

- A The total assets of a business are entered in the company's Balance Sheet on the assets side
- B The total liabilities are listed on the Balance Sheet separately on the liabilities side along with the stockholder's equity
- C The total liabilities are added to the stockholder's equity
- D All of the above

(2 Marks)

QUESTION 20

Mr. NIKWIGIZE uses a periodic inventory system with the weighted average method of cost assignment. The following data are available:

Date		Units	Unit cost
		FRW	FRW
06 January	Beginning inventory	1,000	10,000
15 January	Purchase	2,000	11,000
26 January	Purchase	1,000	12,000
31 January	Sale from the 15 January purchase	1,000	20,000
	Closing inventory	3,000	

What is the value of cost of sales for January?

- A 10,000,000
- B 11,000,000
- C 12,000,000
- D None of the above

(2 Marks)

QUESTION 21

Naomi business Ltd has in its books of accounts for the year ended 31 December 2022 the balance relating to account receivables worth FRW 25,000,000 and on 31 December 2023 the account receivable balance was FRW 50,000,000.

What was the value of credit sales If the payment received from receivables during the year ended 31 December 2023 were FRW 15,000,000? Assume that there are no irrecoverable debts during the year

- A FRW 40,000,000
- B FRW 90,000,000
- C FRW 60,000,000
- D FRW 65,000,000

(2 Marks)

QUESTION 22

A trial balance having equal balances on debit and credit side column:

- A This means that there would be more than one error in the sheet
- B This means that though the arithmetic is correct, there are still chances of some errors in the sheet
- C This means that there is no error in the sheet
- D This means that there would be only a single error in the sheet

(2 Marks)

QUESTION 23

If the total of the debit side exceeds the total of the credit side, the ledger account balance must be?

- A A credit balance
- B A surplus balance
- C A normal balance
- D A debit balance

(2 Marks)

QUESTION 24

Gakenke Company Ltd is a company specialized in manufacturing of industrial equipment. On 01 January 2023. The company purchased a non-current asset worth FRW 100,000,000 to which 70% of the purchases was paid by cash and the rest was on credit. Assume no VAT

What are the accounting entries in regard to the above transaction?

- A Debit expenses (FRW 100,000,000), Credit account payable FRW 100,000,000
- B Debit Noncurrent asset, (FRW 100,000,000), credit Bank (FRW 70,000,000) and credit account payable (FRW 30,000,000)
- C Debit account payables (FRW 70,000,000), Debit Bank (FRW 30,000,000), Credit noncurrent asset (FRW 100,000,000)
- D Debit Noncurrent asset (FRW 100,000,000), Credit Account payable (FRW 100,000,000)

(2 Marks)

QUESTION 25

The following statements are not correct about the preparation of disposal account for non-current asset, except?

- A The profit or loss on disposal is determined by deducting only sales value (proceed from sales) from the original cost of the asset
- B Profit or loss from disposal is obtained by deducting only sales value (proceed from sales) from the carrying amount of the asset

C Profit or loss on disposal is determined by deducting the net sales value from the carrying amount of the asset

D Profit or loss on disposal is determined by deducting the net sales value from the acquisition cost of the asset

(2 Marks)

QUESTION 26

The followings elements make party of the statement of financial position except,

A Retained earnings, currents assets and prepaid expenses

B Noncurrent assets, rent expenses and share capital

C Account receivables, payables and other reserves

D Accrued expenses, prepayments and bank overdraft

(2 Marks)

QUESTION 27

SAGER Ltd has been operating in manufacturing industry for the period over 15 years. The company regularly receives the raw materials and other stock items which company use in operations

Mr. Giraneza, the company's Accountant is concerned that during the year, there were some stock delivered by supplier and received by company to which there were no invoices issued for the company to recognize corresponding account payables.

The followings statements are not true in regard to the above inventory delivered except,

A The invoices were not issued to the suppliers therefore the account payables should not be recognized.

B The company will seek confirmation from those suppliers and only recognize the liability confirmed by them. The party of those who will not confirm will not be recognized

C The company will determine those items of inventory which have not been recorded as a liability and recognize them as liability

D None of the above

(2 Marks)

QUESTION 28

At 30 June 2024, Norman had a bank loan of FRW 28,000,000 and a balance of FRW 12,000,000 in hand in his bank account. **How should these amounts be recorded on Norman's opening trial balance at 1 July 2024?**

A Credit FRW 16,000,000

B Debit FRW 16,000,000

C Debit FRW 28,000,000 and Credit FRW 12,000,000

D Credit FRW 28,000,000 and Debit FRW 12,000,000

(2 Marks)

QUESTION 29

The following statements on depreciation is true except?

- A Recomputing depreciation using reducing balance, the residual value should be deducted in calculating the depreciable amount of asset
- B The reducing balance method of depreciation calculates the annual depreciation charge as a fixed percentage of the carrying amount of the asset, as at the end of the previous accounting period
- C Depreciation should be applied to all fixed assets, except the land
- D Both reducing and straight line can be applied by the company in one accounting period

(2 Marks)

QUESTION 30

Ms. Honorine has presented to you the following details as at 30 June 2024.

Sales day book 320,000
Purchases day book 160,000
Returns inwards day book 16,000
Returns outward day book 32,000

Opening and closing inventories are both FRW 24,000. **What is the gross profit for June 2024?**

- A FRW 176,000
- B FRW 192,000
- C FRW 144,000
- D FRW 160,000

(2 Marks)

QUESTION 31

Rent collected in advance is an example of which of the following?

- A Accrued revenue
- B Deferred revenue (unearned revenue)
- C Deferred expense (prepaid expense)
- D Accrued expense

(2 Marks)

QUESTION 32

The company SDC Ltd has in its books of account the opening balance (i.e. 01/01/2023) account receivable totaling FRW 150,000. During the year ended 31 December 2023, the company made sales worth FRW 70,000 to which 20% was on credit and remaining balance was paid by cash. At the year end, only 10% of the credit sales were recovered from customers.

How much was the account receivables for the year ended 31 December 2023?

- A FRW 162,600
- B FRW 213,000
- C FRW 220,000
- D FRW 157,000

(2 Marks)

QUESTION 33

Which of the following is not a source document?

- A Wages, salary and employee tax records
- B General journal
- C Credit notes
- D Purchase orders

(2 Marks)

QUESTION 34

Mr. GWANEZA and MUGISHA has recently graduated from Rukara University. Each of them has been running business and to increase the profit they have agreed to make a partnership.

Which of the following will not be included in partnership agreement to be signed?

- A Interest (if any) to be paid on partners' capital account balances
- B Dividend payments
- C Interest to be paid on any loans made to the partnership by a partner
- D Any salaries to be paid to partners

(2 Marks)

QUESTION 35

Gasama recently purchased a car for FRW 100,000,000. In addition to the purchase price, he incurred several associated costs. An amount of FRW 3,000,000 was allocated for necessary repairs to ensure the car has a nice look. To register the vehicle legally, he spent FRW 500,000, and an additional FRW 2,000,000 was paid as the dealer's commission. These expenses brought the total cost of acquiring and preparing the car for use to FRW 105,500,000.

The amount debited to the car account will be:

- A FRW 102,500,000
- B FRW 100,000,000
- C FRW 100,500,000
- D FRW 105,500,000

(2 Marks)

QUESTION 36

The following statements are true about VAT in regard to the taxable and exempt supplies except?

- A Taxable supplies consist of standard rated supplies and zero rated supplies.
- B If the figure is VAT inclusive, the amount of VAT is calculated at the rate of 18/100.
- C No VAT charged on exempted item
- D Books, newspapers and journals are example of exempted supplies

(2 Marks)

QUESTION 37

The following information was extracted from the ledger of Ineza sole trader as 31 December 2023.

Details	Debit FRW	Credit FRW
Sales		85,000,000
Purchases	53,400,000	
Operating expenses	3,000,000	
Salary expenses	17,000,000	
Audit fees	500,000	
Capital		10,000,000
Account payables		2,500,000
Cash in hand	100,000	
Cash at bank	7,000,000	
Allowance for Receivables		800,000
Distribution expenses	5,500,000	
Machine equipment at cost	20,000,000	
Accumulated depreciation		8,200,000

The following additional information as at 31 December 2023 are available.

1. Allowance of for doubtful debt to be reduced by 60%
2. Inventory at the year-end is valued at FRW 480,000 and there was no opening stock at the start of the year.
3. Some of the customers returned back the sales worth FRW 500,000 and yet to be recorded in books of account
4. Some of purchased goods worth FRW 400,000 were assessed as non-complying and as result, these were returned back to the supplier and no records made in books of account
5. Equipment is to be depreciated at 10% on straight line basis

What is the value of cost of sales to be reported in profit and loss statement?

- A FRW 53,320,000
- B FRW 2,920,000
- C FRW 53,400,000
- D FRW 52,520,000

(2 Marks)

QUESTION 38

Based on information in question 37 except a gross profit assumed at FRW 60,000,000.

What would be the net profit to be shown in statement of profit and loss

- A FRW 34,480,000
- B FRW 32,480,000
- C FRW 34,000,000
- D FRW 37,980,000

(2 Marks)

QUESTION 39

Which one of the following is not the purpose of control accounts?

- A They provide a check on the accuracy of entries made in the personal accounts in the sales ledger and purchase ledger
- B Helps in discovering errors
- C They record the information from source documents
- D To provide receivables and payables balances more quickly for producing a trial balance or statement of financial position

(2 Marks)

QUESTION 40

A sale on account will be recorded by

- A Debiting revenue, Crediting account receivables
- B Crediting assets, Debiting account payables
- C Crediting liabilities, Debiting revenue
- D Debiting accounts receivable, Crediting revenue

(2 Marks)

QUESTION 41

Nzamurambaho only buys inventories on credit.

At the end of March 2024, the payables control account and the list of payables ledger balances fail to agree.

An invoice of FRW 807,000 from Lucy has been recorded as a credit note in the purchase daybook.

In the payables control account reconciliation both the control account balance and the list balances should be?

- A Reduced by FRW 807,000
- B Reduced by FRW 1,614,000
- C Increased by FRW 807,000
- D Increased by FRW 1,614,000

(2 Marks)

QUESTION 42

Going concern can be defined best as:

- A The concept provides the basis for the formation of the accounting equation.
- B This concept discusses the issue of the realization of profit.
- C This concept assumes that the business will operate for a long period of time and will not be dissolved in the near future.
- D This concept refuses allocation of cost on different accounting periods.

(2 Marks)

QUESTION 43

Kundwa has recently opened a shop in 2024. He has established one of the control where the cash sales will be recorder in cash register. The following are the details in regard to the records

1. On 01 January 2024, sales of FRW 3,000,000 were made and 20% were paid in cash and the rest by cheque
2. On 25 February 2024, the shop sold goods worth FRW 500,000 and the amount was paid fully in cash
3. On 28 February 2024, the shop sold goods worth FRW 100,000 and the payment was received by checque
4. On 31 May 2024, the shop made sales worth FRW 1,200,000 and all payment were received in cash
5. 30 June 2024, the shop sold good totaling FRW 200,000 and the payments were received by cash

What was the balance that Kundwa shop had in cash register as at 31 May 2024?

- A FRW 2,300,000
- B FRW 2,500,000
- C FRW 2,600,000
- D FRW 4,700,000

(2 Marks)

QUESTION 44

The following will be included in sales tab while declaring VAT except,

- A Buyer taxpayer identification number (TIN) if sales are made to other businesses
- B ID numbers of buyers
- C Invoice number
- D Invoice date

(2 Marks)

QUESTION 45

An expenditure is classified as capital expenditure when:

- A The amount is large.
- B It is shown in the balance sheet.
- C It is to benefit a number of future years.
- D It benefits only current year.

(2 Marks)

QUESTION 46

Mr. KWIZERA had the following information in receivable ledger account as at 30 June 2024. You have been provided with the following information in regard to Mr. KWIZERA books of accounts.

1. Opening balance as of 01 July 2022 is FRW 13,000
2. Total debit side totaling FRW 72,000
3. Total credit side totaling FRW 86,000

What is the bank balance that will be transferred to the trial balance?

- A FRW 14,000 Credit balance
- B FRW 14,000 Debit balance
- C FRW 13,000 credit balance
- D FRW 13,000 Debit balance

(2 Marks)

QUESTION 47

The following statements are correct in regard to the change in partnership except,

- A The existing partners' share of the partnership's goodwill is calculated at the date of admission of a new partner.
- B The new partner will usually need to purchase a share of the firm's assets and goodwill by introducing cash (or other assets).
- C When a new partner introduces additional funds into the partnership, the total amount they bring is credited to their capital account.
- D There is no need to determine the existing partner's share of the partnership's goodwill and assets when a new partner is admitted.

(2 Marks)

QUESTION 48

Office cash deposited into the bank is recorded in the cash book on:

- A Debit side
- B Credit side
- C Debit side and credit side
- D None of the above

(2 Marks)

QUESTION 49

What would be the effect on a business profit, which has been calculated including inventory at cost, of discovering that one of its inventory items which cost FRW 7,500,000 has a net realizable value of FRW 8,500,000?

- A An increase of FRW 8,500,000
- B An increase of FRW 1,000,000
- C No effect at all
- D Decrease of FRW 1,000,000

(2 Marks)

QUESTION 50

Muneza has a business current financial year which run to 31 December. For the year ended 31 December 2023, an insurance payment worth FRW 36,000,000 covering 18 months was done on 01 August 2023.

What is the balance to be recognized in books of account as prepaid expenses?

- A FRW 10,000,000
- B FRW 24,000,000
- C FRW 26,000,000
- D None of the above

(2 Marks)

End of Question Paper

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