

CERTIFIED PUBLIC ACCOUNTANT INTERMEDIATE LEVEL EXAMINATIONS I1.2: FINANCIAL REPORTING

DATE: TUESDAY, 29 MARCH 2022

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 three compulsory questions.
- 4. Section **B** has **two** questions, **one** question to be attempted.
- 5. In summary attempt **four** questions, **three** in section A and **one** in section B.
- 6. Marks allocated to each question are shown at the end of the question.
- 7. Show all your workings where necessary.
- 8. The question paper should not be taken out of the examination room.

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SECTION A

QUESTION ONE

Gisakura Mining group presented the following information in its financial statements for the year ended 30 June 2020.

Gisakura Mining group statement of total comprehensive income for the year ended 30 June 2020 CPARAPRIL2022 CPARAPRIL202 CPARAPR

		ARAPRIL2022iCPARA ARAPRIL2022iCPAR	RW million
ril 2022icparapril 2022icparapril 2 ri Gross profit il 2022icparapril 2			APRIL20221CPARA APRIL202 3,000
Other income			APRIL2022iCPARA
Investment income			APRIL2022iCFARA APRIL2022iCFARA APRIL2022iCFARA
Gain on disposal of freehold l	and and building		APRIL20221CFARA APRIL20221 150
RIL2022:CPARHIME2022:CPARAPRIL2 RIL2022:CPARAPRIL2022:CPARAPRIL2	0221CPARAPRIL202 5 C 022iCPARAPRIL2022iC	ARAPRIL202 <u>21CPARA</u> ARAPRIL2022iCPARA	3,180
			APRIL20222100
Expenses APRIL 2022 1 CPARAPRIL 2			
Distribution cos 221 CPARAPRIL 20			APRIL202(610)
Administrative cost PARAPRIL2			APRIL2022(850)
RIL2022iCPARAPRIL2022iCPARAPRIL20 Finance costs L2022iCPARAPRIL20			APRIL2022161ARA APRIL202 (500)
Share of profit after tax in ass	022iCPARAPRIL2022iC ociate \rapril2022iC		APRIL20221 CPÁRA APRIL20221 200
RIL 2022: CPARAPRIL 2022: CPARAPRIL 2 Profit before tax 2: CPARAPRIL 2:		ARAPRIL202 21CPAR/ ARAPRIL20221CPAR/	APRIL20221CPARA APRIL202 1,420
Income tax expense parapril2			APRIL2022 (350)
Profit for the year paraprile		ARAPRIL20221CPARA	PRIL 2021,070
Attributable to			APRIL2022iCPARA
Holding company CPARAPRIL2			APRIL2022i 920
Non-controlling interest			APRIL2022iCFARA APRIL2022i 150
RIL 2022 I CPARAPRIL 2022 I CPARAPRIL 2		ARAPRIL202 <u>2iCPAR</u>	APRIL2022iCPARA
			APRIL202 1,070

Gisakura Mining group statement of financial position as at 30 June 2020

Details Arapril 2022 icparapril 2022 icparapril 202	CPARAPRIL20 June 2020 02 CPARAPRIL20 22 CPARAPRIL		FRW Million	
IL2022iCPARAPRIL2022iCPARAPRIL2022iCPARAPRIL202 IL2022iCPARAPRIL2022iCPARAPRIL2022iCPARAPRIL202				
Assets Parapril 2022 i Cparapril 2022 i Cparapril 2021 i Cparapril 2021 i Cparapril 2022 i	22iCPARAPRIL2022 22iCPARAPRIL2022 23iCPARAPRIL2022	HCPARAPRIL 10 2iCPARAPRIL 20 2iCPARAPRIL 20	22iCPARAPRII 22iCPARAPRII 22iCPARAPRII	-2022iCPAF L2022iCPAF L2022iCPAF
Non-current assets PARAPRIL20221CPARAPRIL202	22iCPARAPRIL2022 22iCPARAPRIL2022	CPARAPRIL20 CICPARAPRIL20	22iCPARAPRII 22iCPARAPRII	L2022iCPAF L2022iCPAF
Property, plant and equipment 221CPARAPRIL20	2 <mark>4iCPARAPRIL202</mark> 22iCPARAPRIL2022 24iCPARAPRIL2022	2,700	22iCPARAPEH 22iCPARAPEH 22iCPARAPEH	2,900
Intangible assets 221CPARAPRIL20221CPARAPRIL202	22iCPARAPRIL2022 22iCPARAPRIL2022	CPAR 350	22iCPARAPRII 22iCPARAPRII 22iCPARAPRII	2022iC 90
Investment in associates PRIL2022iCPARAPRIL202	2GiCPARAPRIL 2002 2GiCPARAPRIL 2002	CPARAPRIL 10 CPARAPRIL 10	22iCPARAPEII 22iCPARAPEII 22iCPARAPEII	2022iCPAE 2022i 700
Total non-current assets	21CPARAPRIL2022 21CPARAPRIL2022	3,350	221CPARAPRII 221CPARAPRII	3,690
Current assets 022iCPARAPRIL2022iCPARAPRIL202	2GICPARAPRII 2002 22iCPARAPRIL2022 23iCPARAPRIL2022	GCPARAPRIL 20 GCPARAPRIL 20 GCPARAPRIL 20	22iCPARAPEII 22iCPARAPEII 22iCPARAPEII	.2022iCPAF .2022iCPAF .2022iCPAF
Inventories ril2022icparapril2022icparapril202	CPARAL,000	CPARAPRIL20	221,100	L2022iCPAF L2022iCPAF
II 2022 (CPARAPRII 2022) (CPARAPRII 2022) (CPARAPRII 202 Receivables RIL 2022) (CPARAPRIL 2022) (CPARAPRIL 2022) (CPARAPRIL 2022) (CPARAPRIL 2022) (CPARAPRIL 2022) (CPARAPRIL 2022)	icparal,250	GCPARAPRIL20 GCPARAPRIL20 GCPARAPRIL20	22iCPARAPHII 22iCP 800 FII 22iCPARAPHII	.2022iCPAF L2022iCPAF L2022iCPAF
Investments (at fair value) IL20221CPARAPRIL202	2 iCPARAPP200 2	CPARAPRIL20	221CP 450 HI	L2022iCPAF L2022iCPAF

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tails arapril2022icparapril2022icparapril202 icparapril20 June 2020		une 2020	2022iCPARAP June 2019	
IL2022iCPARAPRIL2022iCPARAPRIL2022iCPARAPRIL202 IL2022iCPARAPRIL2022iCPARAPRIL2022iCPARAPRIL202	FRW Million		FRW Million	
Cash in hand IL2022iCPARAPRIL2022iCPARAPRIL202:	CPARAPRIL 200 CPARAPRIL 201	ZiCPARAPRILD ZiCPARAPRILD ZiCPARAPRII D	022iCPARAPRI 022iCPARAPRI 022iCPARAPRI	L2022iCPAF L2022iCPAF
Total current assets ARAPRIL20221CPARAPRIL202	CPARAPRIL202:	2,550	022iCPARAPRI 022iCPARAPRI 022iCPARAPRI	2,350
Total assets	SCPARAPRII 200	5,900	020;CPARAPRI	6,040
Equity and liability PARAPRIL 2022 ICPARAPRIL 202	CICPARAPRIL202 CICPARAPRIL202	2iCPARAPRIL2 2iCPARAPRIL2	022iCPARAPRI 022iCPARAPRI	L2022iCPAF L2022iCPAF
Ordinary share capital RAPRIL2022ICPARAPRIL202	BICPARAPRIL 200 BICPARAPRIL 202: BICPARAPRIL 200:	2iCPARAPRII D	022iCPARAPRI 022iCPARAPRI 022iCPARAPRI	1,000
Revaluation reserve PARAPRIL20221CPARAPRIL202	CPARAPRIL202:	21CPARAPRID2 21CPARAPR <mark>T</mark> D2	022iCPARAPR 022iCPARAPR 022iCPARAPR	L2022 180
Retained earnings 21C PARAPRIL 2022 CPARAPRIL 202	GEPARAPRIL 2002 GEPARAPRIL 2002 GEPARAPRIL 2004	2,200	022iCPARAPRI 022iCPARAPRI 022iCPARAPRI	1,100
Total Equity owners' funds OZZICPARAPRILZOZ	CPARAPRIL202:	3,200	022iCPARAPRI 022iCPARAPRI	2,280
Non-controlling interests CPARAPRIL 202 CPAR	CPARAPRIL202 CPARAPRIL202 CPARAPRIL202	2iCPARAPRIL 2iCPAR 850 L2 2iCPARAPRIL	022iCPARAPRI 022iCPARAPRI 022iCPARAPRI	L2022 CPAF L2022 840
Non-current liability Rapril 2022 icparapril 202	ICPARAPRIL202	21CPARAPRIL2 21CPARAPRIL2	022iCPARAPRI 022iCPARAPRI	I <mark>L2022ICPAF</mark> IL2022ICPAF
Lease obligations 21CPARAPRIL20221CPARAPRIL202	iCPARAPRIL202 iCPARAPI 550 2	2iCPARAPRIL2 2iCPARAPRIL2 2iCPARAPRIL2	300	IL2022iCPAF IL2022iCPAF IL2022iCPAF
12% loan stock 022iCPARAPRIL2022iCPARAPRIL202	COPARAPRIL202	21CPARAPRIL2 21CPARAPRIL2	0221CP 0221CP 900	L2022ICPAF L2022ICPAF
Deferred tax:IL2022iCPARAPRIL2022iCPARAPRIL202 Deferred tax:IL2022iCPARAPRIL2022iCPARAPRIL202	iCPARAPI250	2iCPARAPRIL2 2iCPARAPRIL2 2iCPARAPRIL2	200	I <u>L2022iCPAF</u> IL2022iCPAF IL2022iCPAF
Total non-current liability 2022 icparapril 2022	CECPARAPRIL202	21CPARAPRIL 21CPAR 800 L2	022iCPARAPRI 022iCPARAPRI	1,400
Current liabilities CPARAPRIL2022iCPARAPRIL202 CPARAPRIL2022iCPARAPRIL202	ACPARAPRIL202: BiCPARAPRIL202: BiCPARAPRIL202:	21CPARAPRIL2 2iCPARAPRIL2 2iCPARAPRIL2	0221CPARAPR) 0221CPARAPR) 0221CPARAPR)	L20221CPAF [L2022iCPAF [L2022iCPAF
Trade payables 2022 icparapril 2022 icparapril 2021	icparapril200 icparapi 340 02	2iCPARAPRIL2 2iCPARAPRIL2	0221CPARAPH 0221CP 250 FI	IL2022ICPAF
Interest payable 0221CPARAPRIL20221CPARAPRIL202 2021CPARAPRIL20221CPARAPRIL202	iCPARAPRI60	21CPARAPRIL2 21CPARAPRIL2 21CPARAPRIL2	0221CPARAPI 0221CPA 50 0221CPA 50	L20221CPAF [L2022iCPAF [L2022iCPAF
Current tax payable parapril 2022 icparapril 2021	CPARAPRIL200	2iCPARAPRIL2 2iCPARAPRIL2	0221CPARAPI 0221CP 120 F	IL2022ICPAI IL2022ICPAI
lease obligations	iCPARAPRIL20	21CPARAPRIL2 21CPARAPRIL2 21CPARAPRIL2	0221CP600 0221CP600	120221CPAF 12022iCPAF 12022iCPAF
Bank overdraft2022iCPARAPRIL2022iCPARAPRIL2021	HCPARAPRIL202	2iCPARAPRIL2 2iCPARAPRIL2	022iCPARARI 022iCP 500 FI	L2022iCPAF
Total current liability April 2022 CPARAPRIL 202	iCPARAPRIL202 iCPARAPRIL202	21CP 1,050	022iCPARAPRI 022iCPARAPRI 022iCPARAPRI	1,520
Total equity and liability	CDADADDILOOO	5,900		6,040

Additional information

- 1) Freehold land and building with carrying amount of FRW 900 million was disposed by Gisakura Mining Group. The group also acquired additional plant and machinery for FRW 400 million by way of leases.
- 2) The depreciation charge for the year ended 30 June 2020 was FRW 580 million.
- 3) During the year, the group acquired 80% of the share capital of Muhura Mining Ltd for FRW 1,000 million, the fair value of consideration was paid in cash. The non-controlling interest in Muhura Ltd are measured using proportionate of the identifiable net assets.

The net assets of Muhura Mining Ltd on the date of acquisition were as follows

I1.2 22 iCPARAPRIL 2022 iCPARA

IL2022iCPARAPRIL	2iCPARAPRIL2022iCPAFRW million
Plant, and equipment ARAPRIL2022iCPARAPRIL2022iCPARAPRIL20	$_{ m 12iCPARAPRIL2022iCPARAPRIL2022i600}$
Inventory april 2022; CPARAPRIL 2022; CPARAPRI	0121CPARAPRIL20221CPARAPRIL20221 0121CPARAPRIL20221CPARAPRIL20221 200
Receivables RIL2022iCPARAPRIL2	0 2 iCPARAPRIL 2022 iCPARAPRIL 2022 i 350
Cash and bank 2022 iCPARAPRIL 2022 iCPARAPRIL 2022 iCPARAPRIL 2021 iCPARAPRIL 2021 iCPARAPRIL 2022 iCPARAPRIL	22iCPARAPRIL2022iCPARAPRIL2022iC80
Payables RAPRIL 2022 ICPARAPRIL 2022 ICPARAPRI	0 2iCPARAPRIL2022iCPARAPRIL2022i 10 2iCPARAPRIL2022iCPARAPRIL2022i 130
Current tax	0 22iCPARAPRIL2022iCPARAPRIL2022iC50

Required:

- (a) Compute the goodwill on the acquisition of Muhura Mining Ltd (5 Marks)
- (b) Prepare consolidated statement of cash flow of Gisakura Mining Group for the year ended 30 June 2020 (using the *indirect method* under IAS 7 Statement of Cash flows)

(25 Marks)

(Total: 30 Marks)

QUESTION TWO

- (a) You are the accountant of New Vision Ltd, a public limited whose financial year end is 31 December. The financial statements for the year ended 31 December 2020 will be authorized on 31 March 2021. New Vision Ltd is reviewing certain events which occurred between 31 December 2020 to 31 March 2021. These events are:
- 1. New Vison has a good relationship with its shareholders. Over the years, they have adopted a strategy of maximizing shareholders' wealth by increasing dividends payments. On 25 January 2021 the Directors of New Vision Ltd proposed a dividend of FRW 30,000,000 computed based on FRW 8 per share for the year ended 31 December 2020. The dividend and financial statements will be approved by shareholders at the annual general meeting on 31 March 2021. The chief finance officer feels that the dividend should be accrued in the financial statements for the year ended 31 December 2020.
- 2. Due to increase in uncertainty in the macroeconomic and deterioration in the business operation, on 20 February 2021 New Vision Ltd hired an expert to assess the usefulness of company's assets. The technical report submitted to management showed that the intangible assets with carrying amount of FRW 50,000,000 as at 31 December 2020 had a recoverable amount of FRW 18,000,000. The management believed that the lower recoverable amount could be caused by adverse effects of COVID-19 on business operations, COVID-19 affected the company's operation and resulted into idle intangible assets.

Required:

Draft an internal memo for presentation to the Directors of New Vision Ltd which discusses the accounting treatment of the above transactions in the financial statements for the year ended 31 December 2020. (6 Marks)

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- (b) The information detailed below relates to the current tax and deferred tax of New vision for the year ended 31 December 2020
- 1. The cost of property, plant and equipment as at 31 December 2020 was FRW 1,000 million with accumulated depreciation of FRW 20 Million. This included some buildings which were revalued upwards by FRW 50 million at 31 December 2020. The accelerated tax depreciation on property, plant and equipment as at 31 December 2020 was FRW 360 million.
- 2. Intangible assets as at 31 December 2019 was FRW 40 million and these relate to development expenses for projects still under development. Additional development expenditure of FRW 10 million was incurred during the year and the amortization charge for the year ended 31 December 2020 was FRW 5 million. The tax base of this intangible assets was nil and the products that relates to the intangible assets started being commercially produced in the year ended 31 December 2020.
- 3. Current assets include FRW 40 million due in respect of some patent royalty's receivable. The royalties relate to one of the company's older products which was being produced by other companies. Patent royalties are taxed only when received.
- 4. The rent receivable as at 31 December 2019 was FRW 60 million of which FRW 20 million was received during the year 2020, there was no new rental income earned during the year ended 31 December 2020. The rental is taxed on receipt basis.
- 5. New Vision Limited had a deferred tax liability of FRW 100 million as at 31 December 2019.
- 6. The estimated current tax of New Vision Ltd is FRW 30 million
- 7. The company's tax rate is 30%.

Required:

Compute income tax to be charged in the statement of profit and loss account of New Vision for the year ended 31 December 2020 and the balance in deferred tax account

(6 Marks)

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(c) Rugobagoba Tea Ltd is a major producing tea company in Rwanda that operate in Western region. The accountant of Rugobagoba tea company is pursuing CPA and has learnt about the reclassification of a revaluation reserve in accordance with IAS 16. He has approached you seeking advice on the accounting treatment of their property, plant, and equipment in the financial statements.

Below is the information extracted from the trial balance of Rugobagoba Tea Ltd as at 31 December 2020.

Details Arapril 2022 i CPARAPRIL 2022 i CPARAPR NDETAILS ARAPRIL 2022 i CPARAPRIL 2022 i CPARAPR	$^{ m IL2022iCPARAP}_{ m IL2022iCPARAP}$ $^{ m FRW}_{ m 2}$ $^{ m 000}_{ m R}$	APRIL2022iCPARAP FRW 000 APRIL2022iCPARAP FRW 000
Property plant and equipment at cost	1,200,000 1,200,000	APRIL2022iCPARAPRIL2022iCPAR APRIL2022iCPARAPRIL2022iCPAR
Accumulated depreciation	IL2022iCPARAP (400,000)	APRIL2022iCPARAPRIL2022iCPAR
RIL2022iCPARAPRIL2022iCPARAPRIL2022iCPARAPR	IL2022iCPARAPRIL2022iCPAR	APRIL2022iCPARAPRIL800,000
Equity and Liability RAPRIL20221CPARAPR	IL2022iCPARAPRIL2022iCPAR	APRIL2022iCPARAPRIL2022iCPAR
Ordinary share capital RAPRIL2022/CPARAPR	IL2022iCPARAPRIL2022iCPAR	APRIL2022iCPARAPRIL900,000
Retained earning22iCPARAPRIL2022iCPARAPR	IL2022iCPARAPRIL2022iCPAR	april2022icparapril 400,000 r
Revaluation reserve PARAPRIL20221CPARAPR	IL2022iCPARAPRIL2022iCPAR	april2022icparapril2 80,000 r

Included in the property, plant and equipment is a machine that was acquired on 01 January 2018. The machine was acquired at a total cost of FRW 200 million with an estimated useful economic life of 10 years. On 01 January 2020, the machine was revalued at FRW 180 million, but its useful economic life was not changed.

Required:

Using the information provided, prepare the extract for the Rugobagoba's statement change in equity as at 31st December 2020 reflecting the implications of the revaluation of the machine above (8 Marks)

(d) Bank de la Modernization Financial (BMF) was established in 2018 for increasing loan access to small business operators. Since its establishment, the bank had never complied with IFRS 9 in the treatment of financial instruments which resulted into qualified audit opinion for the past two years.

The management of BMF took a corrective decision to improve their financial reports with the aim to obtain unqualified audit opinion for the next financial audits.

The Financial controller has approached you to advise BMF on the following matters.

- i. Explain when and how the financial instruments should be recognized in the financial statements in accordance with IFRS 9, financial instruments (2 Marks)
- ii. Explain the conditions necessary to measure financial asset at amortized cost or at fair value through other comprehensive income

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iii.On 01 July 2019 BMF acquired a financial asset for FRW 10,000,000 and incurred a commission fee of FRW 200,000. On 30 June 2020, the market value of the financial asset was FRW 10,000,000. BMF intends to complete a sale of the financial asset where the related cost of disposal is a commission fee of FRW 100,000. However, the financial asset was not sold as it is still owned by BMF. The financial assets are measured at fair value through other comprehensive income

Required:

Explain how the financial assets shall be treated in the financial statement for the year ended 30 June 2020. (4 Marks)

(Total: 30 Marks)

QUESTION THREE

(a) The conceptual framework for financial reporting describes the objective of, and the concept for, general purpose of financial reporting. The conceptual framework is not a standard and its content does not override any specific accounting standard or any requirement in an accounting standard. The conceptual framework provides a recognition process and criteria for financial reporting.

Required:

Explain the recognition criteria for the elements of the financial statements as per Conceptual framework for financial reporting (5 Marks)

(b) Ubwiza Ltd is a company that produce flowers in western province. The main market of Ubwiza Ltd is in Europe-Netherlands with some few quantities sold to local markets. From March 2020 COVID -19 resulted into the temporally closure of freight travel to Europe as measures to minimize the spread of COVID-19, and as a consequence from then, Ubwiza Ltd lost access to foreign market. As a means to sustain the foreign market, the Board of Directors of Ubwiza Ltd decided to hire an agent called Maxom based in Netherlands whereby Ubwiza Ltd will ship flowers and the agent sells those flowers on behalf of Ubwiza Ltd as a consignee.

The following transactions took place from 1 May 2020 to 31 December 2020

- 1) Ubwiza Ltd consigns 20,000 plastic boxes of flowers costing FRW 1,000 per box to Maxom in Netherland
- 2) The Freight and insurance costs incurred by Ubwiza Ltd for the whole consigned goods was FRW 1,500,000
- 3) Total Packing cost paid at Kigali International airport is FRW 800,000

The flowers were received by Maxom in Netherlands who paid the following costs

- 4) Landing and offloading cost FRW 600,000
- 5) Import duties FRW 1,200,000
- 6) Advertising and selling costs of FRW 1,400,000

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Additional information

- (1) The terms of the agreement signed between Ubwiza Ltd and Maxom state that Maxom is entitled to a commission of 20% of the total plastic boxes sold. The bad debt is borne by Ubwiza Ltd.
- (2) On 31 December 2020, Ubwiza Ltd received the annual account of sales from Maxom and noted that 16,000 plastic boxes were sold at FRW 2,000 per box.
- (3) As at 31 December 2020, the cumulative bank remittance from Maxom to Ubwiza Ltd was FRW 24 million.

Required:

Prepare consignment accounts and consignee accounts on behalf of the consignor-Ubwiza Ltd for the year ended 31 December 2021

(c) IFRS 8 Operating Segments is applied to entities whose equity or debt securities are publicly traded or those which are in the process of issuing shares or debt security in public security markets. IFRS 8 provides the criteria for an operating segment to qualify as a reportable segment.

Required:

Based on the IFRS 8 Operating Segments, briefly explain the minimum criteria required for an entity to classify an operating segment as a reportable segment. (5 Marks)

(Total: 20 Marks)

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SECTION B

QUESTION FOUR

Below is the trial balance of Jali Ltd as at 30 December 2020

Details ARAPRIL 2022 (CPARAPRIL 2022) (CPARAPRIL 2022) (CPARAPRIL 2022)	FRW 000	FRW 000
Motor vehicle - cost Parapril2022iCParapril2022iCParapril2022	CPARAPE850,000	RAPRIL2022iCPAF
Accumulated depreciation-Motor vehicle L20221CPARAPRIL D21	21CPARAPRIL20221CPA 21CPARAPRIL20221CPA	RAPRII 600,000
R <mark>i 2</mark> 022 iCPARAPRIL2022 iCPARAPRIL2022 iCPARAPRIL2022 iCPARAPRIL2022 Revenue Rapril 2022 iCPARAPRIL 2022 iC	2iCPARAPRIL2022iCPA 2iCPARAPRIL2022iCPA	9,500,000
Investment income CPARAPRIL2022iCPARAPRIL202	2iCPARAPRIL2022iCPA	400,000
Purchases April 2022 i Cparapril 2022 i	21CPARA4,580,000	RAPRIL2022iCPAF
Distribution costs 21CPARAPRIL20221CPARAPRIL	800,000	RAPRIL20221CPAF RAPRIL2022iCPAF
Cash and bank balance PAPRIL 2022 CPARAPRIL 2022 CPARAPRIL 2023 CP	550,000	RAPRIL2022iCPAF
Administrative expense APRIL2022iCPARAPRIL2022iCPARAPRIL2022	21CPARA 1 ;100;000	RAPRIL2022iCPAF
Land and building at cost (land of FRW 2,000 million)	5,000,000	RAPRIL20221CPAR RAPRIL2022iCPAR
Accumulated depreciation - Building-01 January 2020	2iCPARAPRIL2022iCPA 2iCPARAPRIL2022iCPA	450,000
Intangible assets 22iCPARAPRIL2022iCPARAPRIL2022iCPARAPRIL2022	21CPARAPE 888,000 A	RAPRIL2022iCPAF
Inventory-1 January 2020 RIL20221CPARAPRIL20221CPARAPRIL2022	CPARAPE300,000	RAPRIL2022iCPAR RAPRIL2022iCPAR
Trade receivables/payables	560,000	600,000
Financial assets at fair value 2022iCPARAPRIL2022iCPARAPRIL2022	21CPARAPR100,000 A	RAPRIL2022iCPAR
Deferred taxril2022icparapril2022icparapril2022icparapril2022	2iCPARAPRIL2022iCPA	RAPRIL2 25,000
di 20221CPARAPRIL20221CPARAPRIL20221CPARAPRIL20221CPARAPRIL2022 I Income Tax ril20221CPARAPRIL20221CPARAPRIL20221CPARAPRIL2022	icparapri 24,000	RAPRIL20221CPAF RAPRIL2022iCPAF
Tinterest, a pappi 2022 iCPARAPRIL2022 iCPARAPRIL2022 iCPARAPRIL2022	COADADA 48,000	RAPRIL2022iCPAF
Revaluation reserves PARAPRIL 2022 (CPARAPRIL 2022) CPARAPRIL 2022	2iCPARAPRIL2022iCPA	RAPRIL2 15,000
Ordinary share capital (FRW 200 per share) 221CPARAPRIL D21	ZICPARAPRILZUZZICPA ZICPARAPRIL2022iCPA	2,500,000
Share premium, 022icparapril2022icparapril2022icparapril2022 Share premium, 022icparapril2022icparapril2022icparapril2022i	2iCPARAPRIL2022iCPA 2iCPARAPRIL2022iCPA	150,000
Retained earnings-1 January 2020 PARAPRIL 2022 CPARAPRIL D22	2iCPARAPRIL2022iCPA	RAPRIL2 80,000
10% Loan note 022 icparapril 2022 icparapri	2iCPARAPRIL2022iCPA	RAPRIL 480,000
RIL2022iCPARAPRIL2022iCPARAPRIL2022iCPARAPRIL2022iCPARAPRIL2022 RIL2022iCPARAPRIL202iCPARAPRIL2022iC	14,800,000	14,800,000

Additional information

- 1) The cost of inventory as at 31 December 2020 was FRW 50 million while its net realizable value was FRW 48 million.
- 2) The building was acquired on 01 July 2018 with expected useful life of 10 years. on 30 June 2020 Jali Ltd revalued building to its current value of FRW 2,800 million with no change in the useful life. As part of Jali Ltd's policy, a transfer of FRW 25 million from revaluation reserves to retained earnings is to be made due to excess depreciation in the year ended 31 December 2020. Depreciation is charged in the year of acquisition on prorate basis of time
- 3) The motor vehicles are depreciating at reducing balance using 10%.

 No depreciation charge on property, plant and equipment has been recognized in the year ended 31 December 2020. All depreciation charges should be recorded in the administrative expenses.
- 4) The current year's estimated corporation tax is FRW 60 million. The tax shown in the trial balance relates to under/over provision of tax for previous year ended 31 December 2019.

 The net taxable temporary difference as at 31 December 2020 is FRW 100 million. The applicable tax rate is 30%

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Required:

- (a) Prepare a statement of comprehensive income for Jali Ltd for the year ended 31 December 2020 (10 Marks)
- (b) Prepare a statement of financial position for Jali Ltd as at 31 December 2020 PARAPRIL 2022 CPARAPRIL 2022

QUESTION FIVE

The government of Rwanda acknowledge the importance of accrual accounting over cash accounting by introducing accrual accounting in public institutions. The main goal is to improve the use and management of resources, a desire to promote enhanced financial reporting and transparency, including greater accountability.

Required:

- (a) Compare and contrast International Financial Reporting Standards (IFRS) and International Public Sector Accounting Standards (IPSAS). (10 Marks)
- (b) Under cash basis, the public entities used not to report non-current assets in the statement of financial position because old government manuals/circulars required them to make a disclosure for those assets. As the Government of Rwanda is migrating from the cash basis IPSAS to the accrual IPSAS accounting, the public sector must apply IPSAS 17 to recognize item of property, plant and equipment. Explain the initial and subsequent measurement of item of property, plant and equipment in accordance with IPSAS 17. (10 Marks)

(Total: 20 Marks)

End of Question paper

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