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**CERTIFIED ACCOUNTING TECHNICIAN**  
**STAGE 2 EXAMINATION**  
**S2.1 PREPARATION OF BASIC ACCOUNTS**  
**DATE: WEDNESDAY, 30 MARCH 2022**  
**MARKING GUIDE AND MODEL ANSWERS**

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| Questions   | Correct Answer | Marks   |
|-------------|----------------|---------|
| Question 1  | D              | 2 Marks |
| Question 2  | A              | 2 Marks |
| Question 3  | C              | 2 Marks |
| Question 4  | B              | 2 Marks |
| Question 5  | B              | 2 Marks |
| Question 6  | B              | 2 Marks |
| Question 7  | C              | 2 Marks |
| Question 8  | C              | 2 Marks |
| Question 9  | B              | 2 Marks |
| Question 10 | D              | 2 Marks |
| Question 11 | C              | 2 Marks |
| Question 12 | B              | 2 Marks |
| Question 13 | A              | 2 Marks |
| Question 14 | C              | 2 Marks |
| Question 15 | C              | 2 Marks |
| Question 16 | B              | 2 Marks |
| Question 17 | D              | 2 Marks |
| Question 18 | B              | 2 Marks |
| Question 19 | B              | 2 Marks |
| Question 20 | A              | 2 Marks |
| Question 21 | C              | 2 Marks |
| Question 22 | B              | 2 Marks |
| Question 23 | A              | 2 Marks |
| Question 24 | B              | 2 Marks |
| Question 25 | C              | 2 Marks |
| Question 26 | B              | 2 Marks |
| Question 27 | B              | 2 Marks |
| Question 28 | B              | 2 Marks |

| Questions   | Correct Answer | Marks   |
|-------------|----------------|---------|
| Question 29 | C              | 2 Marks |
| Question 30 | C              | 2 Marks |
| Question 31 | B              | 2 Marks |
| Question 32 | B              | 2 Marks |
| Question 33 | A              | 2 Marks |
| Question 34 | B              | 2 Marks |
| Question 35 | A              | 2 Marks |
| Question 36 | B              | 2 Marks |
| Question 37 | D              | 2 Marks |
| Question 38 | A              | 2 Marks |
| Question 39 | D              | 2 Marks |
| Question 40 | D              | 2 Marks |
| Question 41 | A              | 2 Marks |
| Question 42 | B              | 2 Marks |
| Question 43 | A              | 2 Marks |
| Question 44 | B              | 2 Marks |
| Question 45 | D              | 2 Marks |
| Question 46 | B              | 2 Marks |
| Question 47 | A              | 2 Marks |
| Question 48 | C              | 2 Marks |
| Question 49 | A              | 2 Marks |
| Question 50 | C              | 2 Marks |

**2 marks for each correct answer**

**Total marks                      100**

## Model answers

### QUESTION ONE

#### The Correct answer is D

Where the last invoice was for FRW 1,647,000 for a three-month period, indicating a cost of FRW 549,000 per month. The invoice included charges up to 31 August. Accounts are being prepared to 31 October; thus, two months (September and October) need to be accrued. Thus, the accrual is  $\text{FRW } 549,000 \times 2 = \text{FRW } 1,098,000$ .

Option A is incorrect as no prepayment done in the period. Wrong interpretation of the adjustment

Option B is incorrect as considered only one month and the accrual is for the 2 months

Option C is incorrect as no prepayment done in the period. Wrong interpretation of the adjustment

### QUESTION TWO

#### The correct answer is A

Where Output VAT on sales is  $\text{FRW } 3,480,000 \times 18/118 = 530847$ . Recoverable input VAT on purchases is  $\text{FRW } (4,040,000 - 840,000) \times 18\% = \text{FRW } 576,000$ . The net amount is  $\text{FRW } 45,000$  input VAT.

Option B confuses inclusive and exclusive of VAT calculations and input and output principles of VAT

Option C and D use the full amount of purchases but confuses inclusive and exclusive of VAT calculations.

### QUESTION THREE

The correct Answer is C distracting

See below working

#### Calculation of Opening capital/ Net asset ((1 marks)

| Item                              | RWF               |
|-----------------------------------|-------------------|
| Closing Net Asset                 | 95,100,000        |
| Less : Income                     | (39,600,000)      |
| <b>Opening capital/ Net asset</b> | <b>55,500,000</b> |

### **Working 1**

#### **Calculation of Income (1 marks)**

| Particular                   | FRW               |
|------------------------------|-------------------|
| Profit for the year          | 35,400,000        |
| Additional capital           | 10,200,000        |
| Less: Drawings               | (6,000,000)       |
| <b>Income for the period</b> | <b>39,600,000</b> |

Option **A**, **B** and **D** did not consider the additional capital

### **QUESTION FOUR**

#### **The correct answer is B**

Where we need to decrease the motor expenses by FRW 36,000 and also decrease payables by FRW 36,000.

Answer **C** and **D** is incorrect as they are doubling also Motor expenses and Payable's account with the same error

Answer **A** is incorrect as it is increasing Motor expenses and payables account

### **QUESTION FIVE**

#### **The correct Answer is B**

Because the purchase return is a credit, this reduces the expense and also reduces the amount payable to the supplier (debit payables) by FRW 125,000.

The option **A** and **C** deviates the logic of reducing expenses and also payable to the supplier and the option **D**, did not considered the return of 25% to be returned to supplier.

### **QUESTION SIX**

#### **The correct Answer is B**

Because this is Patrick's third offence, the penalty is 20 times the amount of Value added Tax (VAT) evaded.

The option **A** is 10 times (which would be correct if this was a first-time offence).

The option **C** and **D** apply the penalty to the amount of the sale rather than the VAT evaded.

## QUESTION SEVEN

**The correct answer is C**

Because the duplicate payment could result in a credit balance

The option A is incorrect as the invoice would be debited to Ujuzi Ltd.'s account

The option B is incorrect as the purchase has been recorded in the payable's ledger correctly; this is a receivables ledger balance

The option D is incorrect as If the balance is owed to Ujengo Ltd then it would appear as a debit balance.

## QUESTION EIGHT

**The correct answer is C**

See below working

| Particulars | Formula<br>FRW | Result<br>FRW | Nature     |
|-------------|----------------|---------------|------------|
| Purchase    | 2360000*18/118 | 360,000       | Receivable |
| Sales       | 1600000*18/100 | (288,000)     | Payable    |
|             |                | <u>72,000</u> | Receivable |

The option **A** and **B** considered only Purchase and sales respectively while **D** confuses payables and receivables for VAT calculations.

## QUESTION NINE

**The correct Answer is B**

See below working

### Calculation of Kavamahanga' s Capital

| Particulars  | FRW           |
|--|---------------|
| Cash   | 50,000        |
| Add: Inventory   | 10,000        |
| Less Cash paid for inventory purchase                        | (10,000)      |
| Less: Expenses   | (1,000)       |
| Add: inventory purchased on credit                           | 5,000         |
| Less: Current liabilities (purchase of inventories on credit | (5,000)       |
| <b>Capital</b>   | <b>49,000</b> |

**A is incorrect.** You have deducted FRW 10,000 for the cash payment for inventory but remember the inventory then becomes an asset of the business. So the purchase of inventory for cash has no effect on the initial capital.

**C is incorrect.** You have correctly identified that the purchase of inventory on credit and for cash have no effect on capital, but the payment of expenses reduces profits and ultimately capital.

**D is incorrect.** You have correctly calculated the effects of the cash inventory purchase and the payment of the expenses. However, the purchase of the inventory on credit increases current assets by FRW 5,000 and also increases current liabilities by FRW 5,000.

#### **QUESTION 10**

**The correct Answer is D**

Because a purchase return should be a credit posting so the effect will be doubled. The fact that it has been posted to the wrong account does not create an imbalance

The option **A and B** considered only the amount of the return and **C** did not consider correctly how the errors need to be corrected.

#### **QUESTION 11**

**The correct Answer is C**

Because statement should be reconciled to payables ledger balances.

For option A, Suppliers are payables of the business not receivables.

For option B, Discounts may be deducted for prompt payment

For option D, Trade Discounts have already been deducted from sales invoices; discounts received may be taken from payments made.

#### **QUESTION 12**

**The correct Answer is B**

Because a bank will dishonor a Cheque when the amount written to cheque in words and numbers are different, cheque/guaranteed card are stolen and cheque is not signed.

The option A, C and D are incorrect because a bank will honor a cheque, provided that the amount is less than the guaranteed sum, so option (ii) is not a valid reason.

### QUESTION 13

#### The correct answer is A

Where VAT on sales is calculated as  $\text{FRW } 490,000 \times 18\% = \text{FRW } 88,200$ . The VAT on purchases is calculated as  $\text{FRW } 360,000 \times 18/118 = \text{FRW } 54,915.254$ . The net amount of VAT is therefore  $\text{FRW } 33,000$  output (Rounded to nearest  $\text{FRW}'000$ )

The option **B** confuses input and output VAT.

The option **C** and **D** are not correct because, student will get it when he/she computed the VAT on sales as inclusive and purchase as exclusive.

### QUESTION 14

#### The correct Answer is C

Because the depreciation expense is a debit to the statement of profit or loss, while accumulated depreciation is a credit to the statement of financial position.

The option **A**, **B** and **D** is incorrect as it is against treatment of Depreciation of Asset as per IAS 16 (Property, Plant and Equipment).

### QUESTION 15

#### The Correct Answer is C

See below working

|  | Total sales<br>FRW'000' | Ordinary Sales<br>FRW''000'' | Private Sales<br>FRW''000'' |
|--|-------------------------|------------------------------|-----------------------------|
| Cost of sales  | 144,000                 | 142,200                      | 1,800                       |
| Mark-up: 12% on cost ( $2016 \times 12 / (100 + 12)$ ) | 216                     | 0                            | 216                         |
| 20% on sales (=25% on cost $\times 142,200$ )          | 35,550                  | 35,550                       |                             |
| <b>Sales</b>   | <b>179,766</b>          | <b>177,750</b>               | <b>2,016</b>                |

The option A, B and C is incorrect as they confuse the calculations of Margin and Mark up from Sales and cost of sales.

## QUESTION 16

**The correct Answer is B**

See below working

|               | FRW"000" |
|---------------|----------|
| Original loss | (1486)   |
| Accrual       | (1625)   |
| Prepayment    | 834      |
| Revised Loss  | (2277)   |

The option **A**, **C** and **D** confuses calculations of Prepayment and Accruals.

## QUESTION 17

**The correct answer is D.**

See below workings

An accrual of FRW 308,000(FRW 462,000\*2/3) is made for the period up to November and added to the statement of profit or loss charge. The statement of profit or loss charge is the sum of this accrual and the existing balance FRW 1,540,000 + FRW 308,000= FRW 1,848,000.

The option **A**, **B** and **C** confuses calculations of Prepayment and Accruals.

## QUESTION 18

**The correct answer is B**

Where a partner's current account has a debit balance, this means that the partner has taken more than their agreed share out of the partnership, i.e. The partner owes the firm money.

Other **A**, **C** and **D** did not explain what insolvency in case of partnership is

## QUESTION 19

**The correct answer is B**

See below working

$$(FRW 30,709,000 - FRW 14,000,000) * 4/7 = 9,548,000$$

The option **C** applied the ratio correctly but does not consider the deduction of the interest on capital for Ingrid.

The option **D** applied the ratio correctly but distracting the student by adding the net profit and interest on capital for Ingrid



## QUESTION 20

The correct answer is A

See below working

|  | FRW"000" |
|--|----------|
| Opening carrying amount                        | 200,000  |
| Carrying amount of Disposals<br>(25,000+5,000) | -30,000  |
| Depreciation                                   | -20,000  |
|  | 150,000  |

## QUESTION 21

The correct answer is C

Where the loan remains as a non-current liability as it is due for repayment in two years' time. As all the interest has been paid up to date there is no current liability.

## QUESTION 22

The correct answer is B

Remember inventory is valued at the lower of cost and net realizable value

Given

|                      |                |
|----------------------|----------------|
| Lower of cost        | FRW 15,800,000 |
| Net realizable value | 26,000,000     |
|                      | (700,000)      |
|                      | 25,300,000     |

The lower of these is FRW 15,800,000

Answer A, C and D computed not based on IAS 2 (inventory)

### QUESTION 23

**The correct Answer is A**

See below working

|                               | FRW'000' |
|-------------------------------|----------|
| Required (FRW 275,600,000*2%) | 5,512    |
| Current allowance             | 5,670    |
| Reduction needed this year    | -158     |

### QUESTION 24

**The correct Answer is B**

Where the incorrect inventory figure at 30 April 2004 will affect both years; 2004 as closing inventory and 2005 as opening inventory. As the figure is overstated, the cost of sales for 2004 will be too low and so profit is overstated. For 2005, cost of sales is too high and so profit is understated.

### QUESTION 25

**The correct answer is C**

Where Maintenance is revenue expenditure. The other costs represent capital expenditure as they are directly attributable to bringing the machine to working condition for its intended use, per IAS 16 Property, Plant and Equipment.

### QUESTION 26

**The correct answer is B**

See below workings

|                    | FRW'000' |
|--------------------|----------|
| Opening Capital    | 10,000   |
| Capital introduced | 4,000    |
| Drawings           | (8000)   |
| Loss (Bal fig)     | (1500)   |
| Closing capital    | 4,500    |

### QUESTION 27

**The correct answer is B**

See below working

|           | RWF'000' |
|-----------|----------|
| Equipment | 39,900   |
| Delivery  | 1000     |
|           | 40,900   |

### QUESTION 28

**The correct answer is B**

Where the partnership agreement will not specify the maximum amount that a partner can loan to the business.

### QUESTION 29

**The correct answer is C**

Because a partnership is described as A relationship that exists between persons carrying on a business in common with a view of profit.

The remaining options are not the best describing a partnership.

### QUESTION 30

**The correct answer is C**

See below working

|                      | RWF'000' |
|----------------------|----------|
| Net profit           | 108,255  |
| Salary               | (19,000) |
| Interest on capital  | (19,500) |
| Interest on drawings | 5,400    |
| Residual Profit      | 75,155   |

### QUESTION 31

**The correct answer is B**

Where inventory (assets) and payables (liabilities) are increased. Capital is unchanged.

### QUESTION 32

**The correct answer is B**

Where Capital introduced – Drawings + Profit + Opening Capital

The option A, C and D are incorrect as it confuses correct definition of ending capital.

### QUESTION 33

**The correct answer is A**

|                  |             |             |
|------------------|-------------|-------------|
| Dr Receivables   | FRW 150,000 |             |
| DR Sales returns | FRW 300,000 |             |
| CR Revenue       |             | FRW 150,000 |
| CR Cash          |             | FRW 300,000 |

The double entry for the sale of goods on credit is Dr receivables, CR Revenue FRW 150,000.

The return of goods previously sold for cash is Dr Sales Returns, Cr Cash FRW 300,000.

### QUESTION 34

**The correct answer is B**

See below workings

The expense account has an opening balance of FRW 533,000 Credit

The Total of the invoice is FRW 2,974,000 Debit

The closing accrual is FRW 488,000 Debit

Thus, the charge to the statement of profit or loss is FRW 2,929,000 Debit

### QUESTION 35

**The correct answer is A**

The accruals do represent expenses that have not yet been paid. Accruals are posted as a credit to the statement of financial position and a debit to the relevant expense in the statement of profit or loss. Accruals are a noncash adjustment and an excess of accruals over prepayments does not indicate a business is likely to go bankrupt.

### QUESTION 36

**The correct answer is B**

Nutan must include a prepayment for the photocopier rental as she pays monthly in advance. So, she must recognize a prepayment of FRW 150,000. She must include an accrual for two-month worth of telephone charges as she receives the telephone bill quarterly in arrears, so she must include an accrual for FRW 180,000 (FRW 270,000\*2/3)

### QUESTION 37

**The correct answer is D**

See below working

|                       | FRW      |
|-----------------------|----------|
| Balance b/f (advance) | 28,700   |
| Balance b/f (arrears) | (21,200) |
| Cash received         | 481,200  |
| Balance C/f (advance) | (31,200) |
| Balance C/f (arrears) | 18,400   |

### QUESTION 38

**The correct answer is A**

NRV is selling price (FRW 8,000) less further costs to sale (FRW 1,000), i.e., FRW 7,000 while others B, C and D did not reflect the calculations of NRV per IAS 2.

### QUESTION 39

**The correct answer is D**

Because only FIFO and AVCO are allowed

The option A, B and C are not recommendable as per IAS 2.

### QUESTION 40

**The correct answer is D**

Where Purchase price plus import duties (and other taxes) plus transport costs less trade discount.

The option A, B and C are not recommendable as per IAS 2.

### QUESTION 41

**The correct answer is A**

See below working

Computation of closing inventories

|         | FRW'000' |
|---------|----------|
| 50* 190 | 9500     |
| 500*220 | 110,000  |
| 300*230 | 69,000   |
| Clo     | 188500   |

### QUESTION 42

**The correct answer is B**

Where cost can include costs of purchase and costs of conversion. It can also include other costs incurred in bringing the inventory to its present location and condition. Cost should not include selling costs and storage costs.

### QUESTION 43

**The correct answer is A**

Where Jaya's sweater sales of FRW 5,670,000 can be attributed to purchases of FRW 4,200,000 (FRW 5,670,000/1.35). Therefore, of the original FRW 4,875,000 of purchases, there must be FRW 675,000 remaining at the year-end (FRW 4,875,000- FRW 4,200,000).

### QUESTION 44

**The correct Answer is B**

See below working

|                             | FRW'000' |
|-----------------------------|----------|
| NBV (FRW 5,000*0.8*0.8*0.8) | 2,560    |
| Proceeds                    | (2,200)  |
| Loss on Disposal            | 360      |

### QUESTION 45

**The correct answer is D**

Where residual value should be deducted from cost when using the straight-line method and is taken into account when determining the reducing balance rate.

A is incorrect because some non-current assets are not depreciated e.g. Land

B is incorrect because management should choose the most appropriate method

C is incorrect because a method charge should be accounted for prospectively, not retrospectively, previous depreciation charges are not recalculated.

#### **QUESTION 46**

**The correct Answer is B**

see below working

|  | FRW'000' |
|--|----------|
| Carrying amount at Disposal FRW (10,000,000-7,500,000) | 2500     |
| Trade in allowance                                     | 3500     |
| Profit   | 1000     |

#### **QUESTION 47**

**The correct answer is A**

Where a debit entry in the Motor vehicles at cost account.

The option B, C and D are incorrect entry as per double entry concept.

#### **QUESTION 48**

**The correct answer is C**

Where FRW 270,000 owed to the tax authorities. Output VAT on sales FRW 720,000. (4,720/18/118) less input VAT on purchase FRW 450,000 (FRW 2,500,000\*0.18), leaves a net amount of FRW 270,000 due to the tax authorities.

The option A, B and D is incorrect as it confuses input and output of VAT calculations

#### **QUESTION 49**

**The correct answer is A**

Where recoverable input tax is debited to the VAT account and the purchases account is debited

B is incorrect because the VAT has not been reclaimed.

C is incorrect because the FRW 500,000 is subject to VAT.

D is incorrect because reversal of the VAT transaction has occurred.

**QUESTION 50**

**The correct answer is C**

where a penalty of FRW 400,000 is charged to a VAT registered business which has failed to comply with EBM regulations on more than one occasion.

Other A, B and D is complying to VAT regulations.

**END OF MARKING GUIDE AND MODEL ANSWERS**