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**CERTIFIED ACCOUNTING TECHNICIAN**  
**STAGE 2 EXAMINATIONS**  
**S2.1: PREPARATION OF BASIC ACCOUNTS**  
**DATE: WEDNESDAY, 30 MARCH 2022**

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**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

Kookol is preparing her final accounts for the year to 31 October 2019 the most recent invoice in her records for electricity was a charge of FRW 1,647,000 for the three months to 31 August 2019.

**What post trial balance adjustment should Kookol make?**

- A FRW 549,000 prepayment
- B FRW 549,000 accrual
- C FRW 1,098,000 Prepayment
- D FRW 1,098,000 accrual

**(2 Marks)**

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### QUESTION TWO

Giti is a businessman registered for VAT. In the month of October 2020, he made sales of FRW 3,481,000 including VAT and purchased goods totaling FRW 4,040,000 excluding VAT. The VAT on FRW 840,000 of the purchases is irrecoverable.

**What is the net amount of input or output VAT Giti will record in his VAT declaration (to the nearest FRW'000)? Applicable VAT tax rate is 18%**

- A FRW 45,000 input
- B FRW 45,000 output
- C FRW 100,620 output
- D FRW 100,620 input.

**(2 Marks)**

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### QUESTION THREE

Juju Ltd made a profit in 2018 of FRW 35,400,000. The proprietor injected new capital of FRW 10,200,000 and withdrew a salary of FRW 6,000,000 during the year. If net assets at the end of 2018 were FRW 95,100,000.

**What was the proprietor's capital at the beginning of the year?**

- A FRW 76,200,000
- B FRW 49,500,000
- C FRW 55,500,000
- D FRW 63,900,000

**(2 Marks)**

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#### QUESTION FOUR

Gloria recorded an invoice of FRW 126,000 for motor expenses as FRW 162,000 when entering invoices in the daybook. The daybook has been posted correctly to the general ledger.

**What entry will correct the wrong entry posted by Gloria?**

- A Debit Motor Expenses FRW 36,000  
Credit Payables Control FRW 36,000
- B Debit Payables Control FRW 36,000  
Credit Motor expenses FRW 36,000
- C Debit Motor Expenses FRW 72,000  
Credit Payables Control FRW 72,000
- D Debit Payables Control FRW 72,000  
Credit Motor expenses FRW 72,000

**(2 Marks)**

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#### QUESTION FIVE

Goods costing FRW 500,000 have been purchased on credit and delivered to a business. On inspection 25% of these goods were found to be faulty and these were returned to the supplier.

**Which of the following journal entries correctly records this return?**

- A DR Purchases FRW 500,000, CR Payables FRW 500,000
- B DR Payables FRW 125,000. CR Purchase FRW 125,000
- C DR Cash FRW 125,000, CR Purchase FRW 125,000
- D DR Payables FRW 500,000. CR Purchase FRW 500,000

**(2 Marks)**

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#### QUESTION SIX

Patrick is a businessman registered for VAT but has failed to issue an electronic Billing Machine invoice in respect of a sale to a customer totaling FRW 236,000 including VAT of FRW 36,000. It was third offence committed by Patrick.

**What is the penalty payable by Patrick as a result of failing to issue an electronic billing machine invoice?**

- A FRW 360,000
- B FRW 720,000
- C FRW 2,360,000
- D FRW 4,720,000

**(2 Marks)**

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### QUESTION SEVEN

In the receivables Ledger of Ujengo Ltd, the account of Ujuzi Ltd has a credit balance of FRW 10,000,000.

**Which of the following is a possible explanation for this?**

- A Ujuzi Ltd has been sent an invoice for FRW 10,000,000
- B Ujuzi Ltd has supplied goods to Ujengo Ltd and these have been correctly recorded by Ujengo Ltd
- C Ujuzi Ltd has paid Ujengo Ltd FRW 10,000,000 twice in error
- D Ujuzi Ltd has an overdue balance of FRW 10,000,000 owing to Ujengo Ltd

**(2 Marks)**

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### QUESTION EIGHT

Jiji runs her own business and is registered for VAT. This week her purchases were FRW 2,360,000 inclusive of VAT and her sales were FRW 1,600,000 exclusive of VAT. Tax rate of VAT is 18%.

**At the end of the week what will the VAT account in her ledger show?**

- A FRW 360,000 Receivable
- B FRW 288,000 payable
- C FRW 72,000 receivable
- D FRW 72,000 payable

**(2 Marks)**

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### QUESTION NINE

Kavamahanga starts a business with FRW 50,000 cash, buying inventory for FRW 10,000 from cash and paying business expenses of FRW 1,000. Inventory on credit for FRW 5,000. Following these transactions.

**What is the capital of Kavamahanga' business?**

- A FRW 39,000
- B FRW 49,000
- C FRW 50,000
- D FRW 54,000

**(2 Marks)**

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### QUESTION 10

If a purchase return of FRW 48,000 has been wrongly posted to the debit of the sales returns account, but has been correctly entered in the suppliers account, the total of the trial balance would show:

- A The credit side to be FRW 48,000 more than the debit side
- B The debit side to be FRW 48,000 more than the credit side
- C The credit side to be FRW 96,000 more than the debit side
- D The debit side to be FRW 96,000 more than the credit side.

(2 Marks)

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### QUESTION 11

Why is a personal account for a supplier kept?

- A To facilitate payments to receivables
- B To ensure the accounts are paid in full
- C To check the amount due agrees to a statement received from the supplier, prior to payment
- D To ensure all trade discounts are taken.

(2 Marks)

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### QUESTION 12

Which of the following are reasons for a bank returning or dishonoring a Cheque?

- i. Words and figures differ
- ii. Cheque less than guaranteed amount
- iii. Cheque and guarantee card stolen
- iv. Cheque Unsigned

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

(2 Marks)

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### QUESTION 13

Ronald is registered for VAT. In the month of January 2020, he made sales of FRW 490,000 excluding VAT and purchased goods for use in his business totaling FRW 360,000 including VAT.

What is the net amount of input or output VAT Ronald will record in his VAT declaration in February 2020 (to the nearest FRW'000)? Applicable rate of tax is 18 %

- A FRW 33,000 output
- B FRW 33,000 input
- C FRW 10,000 output
- D FRW 10,000 Input

**(2 Marks)**

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**QUESTION 14**

Priscilla is completing her extended trial balance, which includes balances for depreciation expense and accumulated depreciation.

**Into which columns should these balances be extended?**

- | <b>Depreciation expense</b>              | <b>Accumulated depreciation</b>        |
|--|--|
| A Statement of profit or loss debit      | Statement of profit or loss Credit     |
| B Statement of financial position Credit | Statement of financial position Debit  |
| C Statement of profit or loss debit      | Statement of financial position Credit |
| D Statement of financial position Debit  | Statement of profit or loss Credit     |

**(2 Marks)**

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**QUESTION 15**

Lennox, a sole trader, has calculated that his cost of sales for the year is FRW 144,000,000. His sales figure for the year includes an amount of FRW 2,016,000 being the amount paid by Lennox himself into the business bank account for goods withdrawn for private use. The figure of FRW 2,016,000 was calculated by adding a mark-up of 12% to the cost of the goods. His gross profit percentage on all other goods sold was 20% of sales.

**What is the total sales figure as calculated by Lennox for the year?**

- A FRW 172,656,000
- B FRW 177,750,000
- C FRW 179,766,000
- D FRW 180,000,000

**(2 Marks)**

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**QUESTION 16**

Gloria's draft accounts for the year to 31 October 2015 showed a loss of FRW 1, 486,000. When she prepared the accounts. Gloria did not include an accrued expenses of FRW 1,625,000 and a prepaid income of FRW 834,000. Gloria subsequently adjusted the accounts to reflect the accrual and prepayment.

**What was Gloria's profit or loss for the year to 31 October 2015 following the inclusion of the accrual and prepayment?**

- A A loss of FRW 695,000
- B A loss of FRW 2,277,000
- C A loss of FRW 3,945,000
- D A profit of FRW1,807,000

(2 Marks)

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### QUESTION 17

Jean's electricity expense account has a debit balance of FRW 1,540,000. Jean had no opening accrual or prepayment for electricity. The last electricity invoice was for FRW 462,000 for the 3 months to 30 September 2017.

**What are the correct amounts to be charged to Jean's statement or loss for the year to 30 November 2017 and reported as an accrual on his statement of financial position at 30 November 2017 for electricity?**

	Charge to statement of profit or loss	Accrual
A	FRW 1,694,000	FRW 154,000
B	FRW 1,694,000	FRW 308,000
C	FRW 1,848,000	FRW 154,000
D	FRW 1,848,000	FRW 308,000

(2 Marks)

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### QUESTION 18

**What does a debit balance on a partner's current account indicate?**

- A The firm owes the partner money
- B The partner owes the firm money
- C The partner's bank account is overdrawn
- D The firm has made a loss in recent years

(2 Marks)

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### QUESTION 19

Ingrid and Sam are in partnership sharing profits and losses in the ratio 3:4. The statement of profit or loss for the year to 31 May 2020 reported a net profit of FRW 30,709,000. Ingrid is entitled to an interest on capital of FRW 14,000,000.

**What was Sam's share of the profit for the year to 31 May 2020?**

- A FRW 7,161,000
- B FRW 9,548,000
- C FRW 17,548,000
- D FRW25,548,000

(2 Marks)

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### QUESTION 20

The carrying amount of a trader's non-current assets was FRW 200,000,000 at 1 August 2020. During the year ended 31 July 2021 he sold non-current assets for FRW 25,000,000 on which he sustained a loss of FRW 5,000,000. The depreciation charge for the year was FRW 20,000,000.

**What was the carrying amount of non-current assets as at 31 July 2021?**

- A FRW 150,000,000
- B FRW 155,000,000
- C FRW 160,000,000
- D FRW 180,000,000

**(2 Marks)**

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### QUESTION 21

On 1 December 2006 Pat borrowed FRW 40,000,000 at a fixed rate of interest. A single capital repayment is due on 1 December 2009. During the year to 30 November 2007 the interest of FRW 300,000 per month had been paid on the last day of each month.

**How should the loan be reported on Pat's statement of financial position as at 30 November 2007?**

<b>Current Liability</b>	<b>Non-Current liability</b>
<b>FRW</b>	<b>FRW</b>
A 3,600,000	40,000,000
B 40,000,000	3,600,000
C Nil	40,000,000
D 40,000,000	Nil

**(2 Marks)**

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### QUESTION 22

Adam is an antiques dealer. His inventory includes a clock which cost FRW 15,800,000. Adam expects to spend FRW 700,000 on repairing the clock which will mean that he will be able to sell it for FRW 26,000,000.

**At what value should the clock be included in Adam's inventory?**

- A FRW 15,100,000
- B FRW 15,800,000
- C FRW 25,300,000
- D FRW 26,000,000

**(2 Marks)**

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### QUESTION 23

On 1 November 2004 Dorothy's receivables allowance was FRW 5,670,000. At 31 October 2005 she was owed FRW 275,600,000 by her customers. She has determined that an allowance equivalent to 2% of outstanding balances is required at 31 October 2005.

**What should be reported in Dorothy's statement of profit or loss for the year to 31 October 2005?**

- A A credit of FRW 158,000
- B A credit of FRW 5,512,000
- C A charge of FRW 158,000
- D A charge of FRW 5,512,000

**(2 Marks)**

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### QUESTION 24

Collin made a mistake in his calculations which resulted in the value of his closing inventory at 30 April 2004 being overstated by FRW 900,000. The value was calculated correctly at 30 Apr 2005.

**What was the effect of the error on the profit reported in Collin's accounts for each of the two years?**

- | 2004                         | 2005                       |
|------------------------------|----------------------------|
| A Overstated by FRW 900,00   | Not affected               |
| B Overstated by FRW 900,000  | Understated by FRW 900,000 |
| C Understated by FRW 900,000 | Not affected               |
| D Understated by FRW 900,000 | Overstated by FRW 900,000  |

**(2 Marks)**

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### QUESTION 25

Robert bought a new machine. The invoice included costs for:

- i. Installation charges
- ii. Routine maintenance for the first year of operation
- iii. Testing the machine prior to operation

**Which of the costs is capital expenditure?**

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

**(2 Marks)**

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### QUESTION 26

A sole trader had opening capital of FRW 10,000,000 and closing capital of FRW 4,500,000. During the period, the owner introduced capital of FRW 4,000,000 and withdrew FRW 8,000,000 for her own use.

**Their profit or loss during the period was**

- A FRW 9,500,000 Loss
- B FRW 1,500,000 Loss
- C FRW 7,500,000 Profit
- D FRW 17,500,000 Profit

**(2 Marks)**

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### QUESTION 27

Eustache is entering an invoice in his accounting records. The invoice shows the following costs

Particulars	FRW'000
Manufacturing equipment	39,900
Delivery	1,000
Maintenance charges	3,980
Recoverable VAT	7,854
Invoice total	52,734

**What is the total value of capital expenditure on the invoice?**

- A FRW 39,900,000
- B FRW 40,900,000
- C FRW 44,880,000
- D FRW52,734,000

**(2 Marks)**

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### QUESTION 28

**Which of the following items would not be included in a partnership agreement?**

- A The profit-sharing ratio
- B The maximum amount that any partner can loan to the business
- C Interest to be charged on partners' drawings
- D Salaries to be paid

**(2 Marks)**

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### QUESTION 29

Which of the following best describes a partnership?

- A Two people who run a business
- B A business arrangement between a number of people who share profit equally
- C A relationship that exists between persons carrying on a business in common with a view of profit
- D A business arrangement involving shareholders

(2 Marks)

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### QUESTION 30

Olivier and Charles are in partnership. Olivier is entitled to a salary of FRW 19,000,000 per annum according to the partnership agreement.

The Net profit of the partnership for the year ended 31 May 2005 was FRW 108,255,000.

The figure for interest on capital and interest on drawings for the year were as follows:

Particular	Olivier	Charles
Interest on capital	FRW 10,200,000	FRW 9,300,000
Interest on drawings	FRW 2,100,000	FRW 3,300,000

What was the residual profit for the year to 31 May 2005?

- A FRW 103,355,000
- B FRW 83,855,000
- C FRW 75,155,000
- D FRW 64,354,000

(2 Marks)

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### QUESTION 31

On 10 May, Leoncie bought goods for resale. Her supplier allowed her a credit period of 30 days. To date, the goods have not been sold.

On 10 May, how is Leoncie's accounting equation affected by the transaction?

	Asset	Liabilities	Capital
A	Unchanged	Increased	Reduced
B	Increased	Increased	Unchanged
C	Increased	Unchanged	Reduced
D	Reduced	Reduced	Unchanged

(2 Marks)

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### QUESTION 32

Which of the following correctly calculates Closing capital?

- A Capital introduced+ Drawings-Profit+ Opening capital
- B Capital introduced- Drawings+ Profit+ Opening capital
- C Capital Introduced+ Drawings+ Profit+ Opening capital
- D Capital introduced-Drawings-Profit-Opening capital

(2 Marks)

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### QUESTION 33

Meddy had the following transactions:

- (i) Sale of goods on credit for FRW 150,000 to Haruna
- (ii) Return of goods from Patrick originally sold for FRW 300,000 in cash to Patrick

What are the correct ledger entries to record these transactions?

			FRW
A	DR	Receivables	150,000
	DR	Sales Returns	300,000
	CR	Revenue	150,000
	CR	Cash	300,000
B	DR	Revenue	150,000
	DR	Cash	300,000
	CR	Receivables	150,000
	CR	Sales Returns	300,000
C	DR	Receivables	450,000
	CR	Revenue	150,000
	CR	Sales Returns	300,000
D	DR	Sales Returns	300,000
	DR	Revenue	150,000
	CR	Cash	450,000

(2 Marks)

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### QUESTION 34

Dative had an opening accrual of FRW 533,000 for telephone expenses. During the year she paid invoices with a total value of FRW 2,974,000. Her closing accrual expenses was FRW 488,000. What is the correct charge for telephone expenses in Dative's statement of profit or loss?

- A FRW 1,953,000
- B FRW 2,929,000
- C FRW 3,019,000
- D FRW 3,995,000

**(2 Marks)**

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**QUESTION 35**

**Which of the following statements about accruals are correct?**

- i. Accruals represent expenses that have not yet been paid.
- ii. Accruals have an effect on both the statement of profit or loss and the statement of financial position.
- iii. If accruals exceed prepayments, the business is likely to go bankrupt and will need an allowance for receivables

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

**(2 Marks)**

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**QUESTION 36**

Nutan has prepared her year-end accounts for the year ended 31 December 2001 but has forgotten to make adjustments for the rental charge of the photocopier and telephone charges. She pays the rental charge on the photocopier monthly in advance, paying FRW 150,000 each month. The telephone bill for the quarter 31 January 2002 is FRW 270,000.

**What adjustments are required to correct these?**

- A Prepayment of FRW 150,000, accrual of FRW 180,000
- B Prepayment of FRW 150,000, accrual of FRW 90,000
- C Accrual of FRW 150,000, Prepayment of FRW 180,000
- D Accrual of FRW 150,000, Prepayment of FRW 90,000

**(2 Marks)**

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**QUESTION 37**

A company receives rent from a their properties. The total received in the year ended 30 April 2006 was FRW 481,200.

The following were the amount of rent in advance and in arrears at 30 April 2005 and 2006.

	<b>30-Apr-2005</b>	<b>30-Apr-2006</b>
	<b>FRW</b>	<b>FRW</b>
Rent received in advance	28,700	31,200
Rent in arrears (all subsequently received)	21,200	18,400

**Which amount of rental income should appear in the company's statement of profit or loss for the year ended 30 April 2006.**

- A FRW 486,500
- B FRW 460,900
- C FRW 501,500
- D FRW 475,900

**(2 Marks)**

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**QUESTION 38**

An item of inventory was purchased for FRW 10,000. However, due to a fall in demand, its selling price will be only FRW 8,000. In addition, further costs will be incurred prior to sales of FRW 1,000.

**What is the Net Realizable Value (NRV)?**

- A FRW 7,000
- B FRW 8,000
- C FRW 10,000
- D FRW 11,000

**(2 Marks)**

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**QUESTION 39**

While valuing inventory, the following methods are available

- i. FIFO
- ii. AVCO
- iii. LIFO
- iv. Standard cost

**Which methods are allowable under IAS 2 inventories?**

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

**(2 Marks)**

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**QUESTION 40**

**What is included in the cost of purchase of inventories according to IAS 2?**

- A Purchase price less trade discount
- B Purchase price plus transport costs less trade discount
- C Purchase price less import duties less trade discount
- D Purchase price plus import duties plus transport costs less trade discount.

**(2 Marks)**

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### QUESTION 41

A company values its inventory using the FIFO method. At 1 May 2005 the company had 700 engines in inventory, valued at FRW 190,000 each. During the year ended 30 April 2006 the following transactions took place:

#### 2005

1 July Purchased 500 engines at FRW 220,000 each

1 November Sold 400 engines for FRW 160,000,000

#### 2006

1 February Purchased 300 engines at FRW 230,000 each

15 April Sold 250 engines for FRW 125,000,000

**What is the value of the company's closing inventory of engines at 30 April 2006?**

A FRW 188,500,000

B FRW 195,500,000

C FRW 166,000,000

D FRW 106,000,000

**(2 Marks)**

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### QUESTION 42

According to IAS 2, inventory must be valued at the lower of cost and Net realizable value.

**Which of the following can be included in cost?**

- i. Cost of purchase
- ii. Cost of selling
- iii. Cost of conversion
- iv. Cost of storage

A (i) and (ii)

B (i) and (iii)

C (ii) and (iv)

D (ii) and (iii)

**(2 Marks)**

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### QUESTION 43

Jaya started trading a year ago, selling knitwear she makes with her team of three other knitters. She sells her sweaters at a mark-up of 35%. In the first year of trading, she bought wool for her sweaters costing FRW 4,875,000. Sweaters sales in the year were FRW 5,670,000.

**What was the value of Jaya's closing inventory of wool for sweaters?**

- A FRW 675,000
- B FRW 795,000
- C FRW 911,000
- D FRW 1,190,000

(2 Marks)

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**QUESTION 44**

A non-current asset was disposed of for FRW 2,200,000 during the last accounting year. It had been purchased exactly three years earlier for FRW 5,000,000 and had been depreciated on the reducing balance basis at 20% per annum.

**What was the profit or loss on disposal?**

- A FRW 360,000 profit
- B FRW 360,000 loss
- C FRW 200,000 profit
- D FRW 200,000 loss

(2 Marks)

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**QUESTION 45**

A change in the chosen depreciation method is accounted for retrospectively, with all.

**Which of the following statements regarding depreciation is correct?**

- A All non-current assets must be depreciated.
- B Straight line depreciation is usually the most appropriate method of depreciation
- C Previous depreciation charges has been reversed and recalculated for the year
- D Depreciation charges must take into account the residual value expected at the end of the useful life of the asset.

(2 Marks)

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**QUESTION 46**

A non-current asset (cost FRW 10,000,000, depreciation FRW 7,500,000) is given in part exchange for a new asset costing FRW 20,500,000. The agreed trade in value was FRW 3,500,000.

**Which of the following will the statement of profit or loss include?**

- A A loss on disposal FRW 1,000,000
- B A profit on disposal FRW 1,000,000
- C A loss on purchase of a new asset FRW 3,500,000
- D A profit on disposal FRW 3,500,000

(2 Marks)

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### QUESTION 47

When Michelle purchased a new car, she used her old car in part-exchange. She has made the correct entry for the part-exchange value of FRW 3,500,000 in the non-current asset disposal account.

**What other entry is needed to complete the double entry for the part-exchange value of FRW 3, 500, 000?**

- A A debit entry in the motor vehicle at cost account
- B A credit entry in the motor vehicle at cost account
- C A debit entry in the bank account
- D A credit entry in the bank account

**(2 Marks)**

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### QUESTION 48

A trader is registered for VAT. During a period, they have sales of FRW 4,720,000 including VAT at 18% and purchases of FRW 2,500,000 excluding VAT.

**What amount is owed to or due from the tax authorities at the end of the period?**

- A FRW 469,000 owed to tax authorities
- B FRW 469,000 due from tax authorities
- C FRW 270,000 owed to tax authorities
- D FRW 270,000 due from tax authorities

**(2 Marks)**

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### QUESTION 49

Purchases of goods costing FRW 500 subject to VAT at 18%. **Which of the following correctly records the credit purchase?**

- A DEBIT Purchases FRW 500  
DEBIT VAT FRW 90  
CREDIT Payables FRW 590
- B DEBIT Purchases FRW 590  
CREDIT Payables FRW 590
- C DEBIT Purchases FRW 432.73  
DEBIT VAT FRW 76.27  
CREDIT Payables FRW 500
- D DEBIT Purchases FRW 500  
CREDIT VAT FRW 76.27  
CREDIT Payables FRW 432.73

**(2 Marks)**

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**QUESTION 50**

Horace is registered for VAT. He has failed to comply with the relevant electronic billing machine regulations. This is the fourth time he has been found to be in breach of the regulations.

**What is the amount of the penalty Horace will be charged in respect of this breach?**

- A FRW 100,000
- B FRW 200,000
- C FRW 400,000
- D FRW 500,000

**(2 Marks)**

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**End of question paper**



