
**CERTIFIED PUBLIC ACCOUNTANT
FOUNDATION LEVEL 1 EXAMINATIONS
F1.3: FINANCIAL ACCOUNTING**

DATE: TUESDAY 26, AUGUST 2025

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 **one compulsory question.**
4. Section **B** has **four questions** and only **three questions** are to be attempted.
5. Marks allocated to each question are shown at the end of the question.
6. Show all workings where applicable.
7. Any assumptions made must be clearly and concisely stated.
8. The question paper should not be taken out of the examination room.

SECTION A

QUESTION ONE

a) Habimana was an employee of Kigali Shippers Ltd, a renowned company specializing in importing goods from China and across Europe, for many years. Recently, in September 2024, he decided to venture into the clothing import business under the name HABIMANA Ltd, where he planned to import clothes from China as a form of self-employment starting in October. He had gained experience in the import business and saved some money for this purpose. To kickstart the business, he made the following transactions from October through December 2024.

1. 1st October transferred FRW 50 million from his personal savings account to business and converted his personal car worth FRW 16 million into the company's delivery van.
2. 2nd October entered into a contract with Prime Plaza Ltd for his business premise, where the contract stipulated that the tenant should pay a monthly rent of FRW 156,000 and all the annual rent was paid in the same October.
3. On 5th October, he made an importation of the first batch of inventory from China for FRW 24 million, paid through the bank, and which was to be delivered within three days after placing the order to the supplier.
4. 5th November made sales worth FRW 8 million to Muhire retailers, and the amount was paid through bank, on the same day, made sales to Munini Ltd worth FRW 4 million upon depositing 75% of the amount payable.
5. On 15th November, Habimana entered into a contract with African bags Ltd for the supply of local bags and received a batch of bags on the same date worth FRW 1,200,000 on credit.
6. 2nd December paid African bags Ltd, FRW 800,000 as part of the settlement.
7. 5th December made sales amounting to FRW 12 million for clothes and FRW 800,000 for locally made bags, paid by cheque.
8. 28th December made sale of FRW 2,400,000 paid by cheque.

Required:

- i) **Prepare the relevant ledger accounts for the period of three months ended 31 December 2024** (10 Marks)
- ii) **From the ledgers prepared in (i) above, prepare trial balance for the period of three months ended 31 December 2024** (5 Marks)

b) MUHANGA LTD is a company that was incorporated in January 2023 in Muhanga district dealing in electronics and electricals materials. Due to a conducive working environment, the company's performance has been promising, and recently, a decision was made by the directors of the company to expand the business by issuing new shares. The following information has been provided by the company accountant as the trial balance as at 31st December 2024:

Details	Debit	Credit
	FRW “000”	FRW “000”
Land	100,000	
Buildings	196,000	
Plant and machinery	156,000	
Computers	60,000	
Revenue		463,000
Purchases	296,000	
Receivables	36,000	
Return outwards		7,500
Cash at bank	57,180	
Retained profit		6,580
Wages and salaries	96,000	
Marketing costs	14,500	
Buildings - Accumulated depreciation		4,800
Plant and machinery- Accumulated depreciation		23,400
Computers - Accumulated depreciation		12,000
Allowance for receivables		250
Ordinary shares 1000 at FRW 290 per share		290,000
Share premium		50,000
12%redemable debentures		120,000
Trade payables		52,800
Other operating expenses	18,650	
TOTAL	1,030,330	1,030,330

Additional information:

1. Closing stock as at the end of the year was FRW 52,600,000. There was no opening stock, only depreciation for the plant and machinery is treated as part of the cost of sales.
2. Included in wages and salaries was prepaid salaries for January 2025 amounting to FRW 16,500,000.
3. Interest expense amounting to FRW 1,440,000 was still accruing by the end of the year, and income tax was agreed to be FRW 1,200,000 after consultation with tax authorities.
4. Provision for bad and doubtful debts is to be adjusted to 2% of receivables.
5. Land was revalued at FRW 124, 800,000 as at the end of the year by a competent valuer.

6. Depreciation rate is provided as follows:

ASSET	RATE	BASIS
Buildings	5%	Straight line
Plant and machinery	15%	Reducing balance
Computer	20%	Straight line

Required:

- i) Prepare a statement of Profit or Loss and other comprehensive income for the year ended 31st December 2024. (10 Marks)
 - ii) Prepare statement of financial position as at 31st December 2024. (10 Marks)
 - iii) Explain any five users of the financial accounts prepared by the business. (5 Marks)
- (Total: 40 Marks)**

SECTION B

QUESTION TWO

a) Explain the following concepts as used in accounting:

i) Accrual concept (2 Marks)

ii) Matching concept (2 Marks)

b) KIMIRONKO Ltd Cash Book shows debit balance of FRW 3,350,000 on 31/12/2024, though its Bank Statement shows FRW 4,139,000 credit balance. Detailed analysis of the discrepancies between the two records revealed the following:

- 1) A cheque of FRW 1,640,000 in favor of Mukamana, the supplier, has been dishonored by the bank.
- 2) The debit side of the cash book has been understated by FRW 420,000.
- 3) A cheque of FRW 196,000 drawn in payment of water bills had been entered in the Cash Book as FRW 169,000, but was shown correctly in the Bank statement, while the standing order of FRW 500,000 was yet to be reflected in the cashbook
- 4) A cheque of FRW 260,000 from Kigali, which one of the customers had been deposited directly into the Bank
- 5) The Bank had debited a cheque of FRW 126,000 to Kimironko Account by error. It should have been debited to Mironk Account. Though no similar entry has been made in the Cash Book.
- 6) A cheque of FRW 1,772,000 has been written in favor of John, but has not yet been presented for payment.
- 7) Cheque of FRW 1,800,000 paid by a customer to Kimironko submitted to the bank was not yet credited, as the date the bank statement was obtained
- 8) Monthly loan repayment of FRW 600,000, deducted by the bank, was already debited by the bank but not yet reflected in the cash book.
- 9) Bank charges not included in the cashbook were FRW 250,000

Required:

i) Prepare adjusted cashbook as at 31/12/2024. (12 Marks)

ii) Prepare a bank reconciliation statement as at 31/12/2024. (4 Marks)

(Total: 20 Marks)

QUESTION THREE

MUSANZE LTD is a private company operating in the Northern Province of Rwanda in the tourism industry. Below are its financial statements for the year ended 31 December 2023 and 2024.

MUSANZE LTD		
INCOME STATEMENT FOR YEAR ENDED 31 ST DECEMBER 2024		
Details	FRW “000”	FRW “000”
Sales Revenue		2,556,000
Cost of sales		1,817,000
Gross profit		739,000
Expenses		
Distribution expenses	130,000	
Administrative expenses	125,000	
Other operating expenses	134,000	
Total operating expenses		(389,000)
Profit before interest and tax		350,000
Interest received		25,000
Interest paid		(75,000)
Profit before tax		300,000
Income tax		140,000
Profit after tax		160,000

MUSANZE LTD		
STATEMENT OF FINANCIAL POSITION AS AT 31 ST DECEMBER		
	2024	2023
Details	FRW “000”	FRW “000”
NON-CURRENT ASSETS		
Property plant and equipment	380,000	305,000
Intangible assets	250,000	200,000
Long-term investments	0	25,000
Current assets		
Inventories	150,000	102,000
Receivables	390,000	315,000
90days T Bills and bonds	50,000	0
Cash in hand	2,000	1,000
TOTAL ASSETS	1,222,000	948,000
FINANCED BY		
Equity		
Ordinary shares	200,000	150,000
Share premium	160,000	150,000

Revaluation surplus	100,000	91,000
Retained profit	260,000	155,000
Total equity	720,000	546,000
Long-term liabilities		
Bank loan	170,000	50,000
Current liabilities		
Trade payables	127,000	119,000
Bank overdraft	85,000	98,000
Interest payable	0	25,000
Tax payable	120,000	110,000
Total current liabilities	332,000	352,000
Total capital and liabilities	1,222,000	948,000

Additional information:

1. The proceeds of the sale of non-current asset investments amounted to FRW 30 million.
2. Fixtures and fittings, with an original cost of FRW 85 million and a carrying amount of FRW 45 million, were sold for FRW 32 million during the year.
3. The following information relates to property, plant, and equipment.

Details	2024	2023
	FRW “000”	FRW “000”
Cost	720,000	595,000
Accumulated depreciation	340,000	290,000
Carrying amount	380,000	305,000

4. During the year, ordinary shares were issued.
5. The 90-day T Bills and bonds meet the requirements to be classified as cash equivalents.

Required:

- i) Prepare MUSANZE Ltd cash flow statement for the year to 31 December 2024 using the indirect method and the format laid out in IAS 7. (15 Marks)
 - ii) Discuss any five advantages of preparing a cashflow statement. (5 Marks)
- (Total: 20 Marks)**

QUESTION FOUR

NYANZA Ltd a company operating in the construction industry in Rwanda has the following financial statements for the two years ended 31st December, 2023 and 2024.

Income statement for year ended 31st December, 2023 and 2024

Details	2023	2024
	FRW “000”	FRW “000”
Revenue	4,816,906	5,205,514
opening inventory	(560,700)	(602,850)
purchases	(3,567,540)	(3,687,420)
closing inventory	600,800	585,580
Cost of sales	3,527,440	3,704,690
Gross profit	1,289,466	1,500,824
Expenses		
Administrative expenses	(456,640)	(510,320)
Distribution expenses	(234,800)	(258,450)
other operating expenses	(123,560)	(156,050)
Total expenses	(815,000)	(924,820)
Profit before interest and tax	474,466	576,004
Finance cost	(52,500)	(37,500)
Profit before tax	421,966	538,504
Income tax	(28,500)	(32,450)
Profit for the year	393,466	506,054
Dividend paid	(200,000)	(208,740)
Net retained profit	193,466	297,314

Statement of financial position as at 31st December 2023 and 2024

Details	2023	2024
	FRW “000”	FRW “000”
Non-current assets		
Land and buildings	878,600	920,650
Property, plant, and equipment	128,400	150,800
Total non-current assets	1,007,000	1,071,450
Current assets		
Cash and cash equivalents		
Inventories	600,800	585,580
Prepayments	32,720	58,600
Receivables	652,500	660,900
Total current assets	1,286,020	1,305,080
Total assets	<u>2,293,020</u>	<u>2,376,530</u>
FINANCED BY		
Ordinary shares	920,500	920,500
Share premium	300,000	300,000
Retained earnings	453,700	490,780

Total equity	1,674,200	1,711,280
Non-current liabilities		
15%longterm loans	350,000	250,000
Current liabilities		
Payables	214,040	320,050
Accrued expenses	26,780	62,700
Income tax	28,000	32,500
Total current liabilities	268,820	415,250
Total capital and liabilities	<u>2,293,020</u>	<u>2,376,530</u>

Required:

a) Using the above-provided financial statements, **calculate the following ratios of Nyanza Ltd for the two years of 2023 and 2024 (Assume 356 days in a year).**

- i) **Current ratio** (1 Mark)
- ii) **Gross profit margin** (1 Mark)
- iii) **Return on capital employed** (1 Mark)
- iv) **Payable period** (1 Mark)
- v) **Receivable period** (1 Mark)
- vi) **Inventory conversion period** (1 Mark)
- vii) **Debt-to-equity ratio** (1 Mark)
- viii) **Times interest cover** (1 Mark)
- ix) **Asset turnover** (1 Mark)
- x) **Acid test ratio** (1 Mark)

b) **Interpret your results from the following computed ratios.**

- i) **Payable period against receivables period concerning liquidity.** (2 Marks)
- ii) **Inventory conversion period** (1 Mark)
- iii) **Current ratio** (1 Mark)
- iv) **Debt to equity** (1 Mark)

c) **Highlight five key limitations of ratio analysis as a tool for analysing financial statements.** (5 Marks)

(Total: 20 Marks)

QUESTION FIVE

a) Within partnership accounting, goodwill often serves to quantify the value of future economic benefits arising from a firm's established reputation. A common problem is the reliable measurement of this goodwill's worth.

Required:

- i) **Distinguish between purchased goodwill and non-purchased goodwill giving examples and stating the accounting treatment of each.** (6 Marks)
- ii) **Explain the circumstances under which an intangible asset is recognized by entities in the financial statements** (2 Marks)

b) The Ministry of sports has provided the following balances as t 31st July 2024

Details	FRW000
Accumulated surplus as of 3rd June 2023	112,050
Cash and cash equivalents	29,550
Licenses	13,650
Trade and other receivables	36,800
Inventory	14,500
Transfers from exchequer	356,000
Fees and fines	12,000
Transfers from other ministries	8,500
Transfers to other ministries	42,650
Salaries and wages	186,500
Office consumables and stationery	32,000
Office equipment's	67,500
Long-term finance lease	30,000
Long-term borrowings	62,320
Ministries payables	16,000
Liability for long-term employees	42,030
Finance cost	52,000
Other non-exchange revenues	6,580
Land and buildings	190,930
Accumulated depreciation- land and buildings	50,250
Depreciation	4,000
Other expenses	25,650

Required:

Prepare as per IPSAS 1 *Presentation of financial statements*

- i) **Statement of financial performance for the year ended 31st June 2024.** (6 Marks)
 - ii) **Statement of financial position as at 31st June 2024.** (6 Marks)
- (Total: 20 Marks)**

End of Question Paper

