



CERTIFIED ACCOUNTING TECHNICIAN

STAGE 2 EXAMINATION

S2.1 PREPARATION OF BASIC ACCOUNTS

DATE: WEDNESDAY, 25 AUGUST 2021

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.

- 1 Financial statements are normally prepared on the assumption that the reporting entity will continue in operation for the foreseeable future. **Which of the following properly defines the above concept?**

A Accrual concept
B Going concern concept
C Matching concept
D None of the above

(2 Marks)

- 2 The financial statements should stay the same from one period to the next”

Which of the following properly describes the above statement?

A Fair Presentation
B Comparability
C Consistency
D Materiality

(2 Marks)

- 3 After Isaro co purchased goods worth Frw 2 million, it was realized that 15% were of wrong type and decided to return them to the supplier.

Which of the following Journal Entries correctly records the return?

A Dr Purchase returns Frw 300,000 and Cr Bank/Cash Frw 300,000
B Dr Payables Frw 2,000,000 Cr Purchase returns Frw 2,000,000
C Dr Payables Frw 300,000 Cr Return outwards Frw 300,000
D None of the above

(2 Marks)

- 4 Ndashimye is a regular customer of Ituze super market. It is a company’s policy to allow 4% discount for debtors who pay within one week and to offer 10% for customers who come back for more shopping. For the goods worth Frw 150,000 he purchased, he managed to pay back within two weeks and also continued with the shopping.

How much would be expected from Ndashimye?

A Frw 21,000
B Frw 129,000
C Frw 135,000
D Frw 15,000

(2 Marks)

5 Which ONE of the following statements correctly describes the contents of the Statement of Profit or Loss?

- A A list of all the assets owned and all the liabilities owed by a business
- B Assets are equal to Equity plus Liabilities
- C A record of income generated and expenditure incurred over a given period
- D Records of cash inflows and out flows for one accounting year

(2 Marks)

6 Kagarama Business Center made a profit for the period of Frw 17,700,000. They later injected addition capital of Frw 5,100,000 during the year and withdrew Frw 250,000 each month for personal issues. If the closing capital as at 31 December 2020 was Frw 47,550,000;

What was the proprietor's net assets at the beginning of the year?

- A Frw 70,100,000
- B Frw 27,750,000
- C Frw 67,350,000
- D Frw 19,800,000

(2 Marks)

7 Which of the following is an example of equity?

- A Retained earnings
- B Assets
- C Income
- D Liabilities

(2 Marks)

8 Mrs. Nyiragutunga started the year with a balance of receivables of Frw 10,000 and ended the same year with Frw 9,000. During the year, she recorded sales amounting to Frw 85,000 (Including Frw 7000 cash).

How much payment was received from receivables?

- A Frw 77,000
- B Frw 84,000
- C Frw 79,000
- D Frw 91,000

(2 Marks)

9 Which of the following statements relating to financial position is false?

- A The inventory recorded as current asset is the closing inventory instead of opening inventory.
- B The gross profit from statement of profit or loss will be transferred to statement of financial position to increase the capital
- C It is a snapshot of all assets and liabilities on a particular date
- D Increase in assets is always backed by either increase in liabilities or Equity.

(2 Marks)

10 Which one of the following is not an example of current assets?

- A Cash held both in hand and at Bank
- B Different types of vehicles made by a manufactured company for resale
- C Goods for sale on credit to different customers
- D Office furniture for administrative use.

(2 Marks)

11 How would you adjust purchases to arrive at the cost of sales figure?

- A Add both opening inventory and closing inventory
- B Subtract closing inventory and add opening inventory
- C Subtract both closing and opening inventory.
- D Just ignore both opening and closing inventory as the impacts is the same.

(2 Marks)

12 In which book of prime entry will a business record debit notes in respect of goods which have been sent back to suppliers?

- A The sales returns day book
- B The cash book
- C The purchase returns day book
- D The purchases day book

(2 Marks)

13 A business sells Frw 100,000 worth of goods to a customer, the customer pays 50% in cash immediately and will pay the remaining in 30 days' time.

What is the double entry to record the purchase in the customer's accounting records?

- A Debit cash Frw 50,000, credit payables Frw 50,000; credit purchases Frw 50,000
- B Debit payables Frw 50,000 debit cash Frw 50,000 credit purchases Frw 100,000

- C Debit purchases Frw 100,000 credit payables Frw 50,000 credit cash Frw 50,000
D Debit purchases Frw 100, 000 credit cash Frw 100,000

(2 Marks)

- 14 Jane had the following transactions: Opening stock Frw 150,000; Purchases Frw850,000; Returns inwards Frw 50,000; Carriage inwards Frw 30,000.

What is her cost of sales?

- A Frw 1,050,000
B Frw 1,020,000
C Frw 980,000
D Frw 1,030,000

(2 Marks)

- 15 The following totals appear in the day books for March 2020.

	Frw
Sales day book	160,000
Purchases day book	80,000
Returns inwards day book	8,000
Returns outward day book	16,000

Opening and closing inventories are both Frw 12, 000. **What is the gross profit for March 2020?**

- A Frw 88,000
B Frw 76,000
C Frw 80,000
D Frw 56,000

(2 Marks)

- 16 Charlotte had the following transactions:

- i) Sale of goods on credit Frw 300,000 to Betty
ii) Return of goods from Juliette originally sold for Frw 600,000 in cash

What are the correct ledger entries to record these transactions?

- A Dr Receivables 300,000
Cr Sales Returns 600,000
Cr Revenue 300,000
Cr Cash 600,000
- B Dr Revenue 300,000
Dr Cash 600,000

Cr Receivables	300000
Cr Returns	600000

C	Dr Receivables	900,000	
	Cr Revenue		300,000
	Cr Sales Returns		600,000
D	Dr Sales Returns	600,000	
	Dr Revenue	300,000	
	Cr Cash		900,000

(2 Marks)

17 Kagabo Enterprise sold his vehicle he had been using in the business for Frw 10,000,000. The original cost was Frw 28,000,000 and depreciation had been provided at 20% on a reducing balance for the last 3 years. **Which of the following is the profit/loss from disposal?**

- A Frw 4,336,000 loss,
- B Frw 1,200,00 loss
- C Frw 4, 336,000 profit
- D Frw 1,200,000 profit

(2 Marks)

18 **Which of the following statements about tangible non- current assets is false?**

- A Straight line Method of depreciating for non- current assets is very simple and it is commonly used.
- B While depreciating non-current assets, you should take into consideration the residual value
- C All non- current assets are supposed to be in the business for more than one year.
- D There are only two Methods of depreciating non- current assets as per IAS 16.

(2 Marks)

19 **Which of the statements below most appropriately describes the purpose of the asset register?**

- A An internal control to ensure details of all assets are readily available in the event of loss or theft
- B To ensure the organization is aware of the age of plant and machinery
- C An internal control to ensure information relating to non-current assets in the nominal ledger and the financial statements are correct
- D To enable the organization to comply with IAS 16 Property, plant and equipment

(2 Marks)

- 20 The carrying amount of a company's non-current assets was Frw 600,000 at 1 August 2010. During the year ended 31 July 2011, the company sold non-current assets for Frw 75,000 on which it made a loss of Frw 15,000. The depreciation charge for the year was Frw 60,000.

What was the carrying amount of non-current assets as at 31 July 2011?

- A Frw 450,000
- B Frw 465,000
- C Frw 480,000
- D Frw 5480,000

(2 Marks)

- 21 Roger is a small business person who owns a boutique in Kigali City Market. The following information relates to the rent and rates account for the year to 31 March 2017:

	Rent	Rates
31-March-16	10,000 prepayments	5,000 Accrual
31-March-17	20,000 Accrual	12,000 Prepayment

During the year, Roger made a payment of Frw 50,000 for Rent and Frw 78,000 for Rates. **What is the total expense for rent and rates to be recorded for the year ended 31 March 2017?**

- A Frw 141,000
- B Frw 131,000
- C Frw 125,000
- D Frw 121,000

(2 Marks)

- 22 James pays his rent expenses in advance whereas the loan is paid in arrears. The following payments were done in the year 2020:

- i) 1st January 2020: Frw 720,000 were deposited to cover loan installments up to 30th September 2020 and the remaining Months were unpaid as at year end.
- ii) 30th September 2020: Frw 180,000 to cover six installments of his rent starting from the same month going forward.

How will these prepayments and accruals be reported in the financial statements for the year ended 31 December 2020?

- A Frw 720,000 current Assets and 180,000 current Liabilities
- B Total expenses of Frw 900,000 should be reported in statement of profit or loss
- C Frw 90,000 Current Assets and Frw 240,000 current Liabilities.

D Frw 240,000 Current liabilities and Frw 60,000 current Assets.

(2 Marks)

- 23 Migambi is a trainee accountant, he does not understand the accrual concept and has confused the treatment of Frw 50,000 accrued telephone expenses which he simply plans to record when paid.

How would advise him to record this amount in the ledger account?

- A Dr Cash and Cr Telephone charge with Frw 50,000
- B Dr Telephone charge and Cr Sundry Payables with Frw 50,000
- C Dr Payables and Cr Telephone charges with Frw 50,000
- D None of the Above

(2 Marks)

- 24 **What general ledger entries are required to write off an irrecoverable balance due from a customer?**

- A Dr Revenue and Cr Irrecoverable debts expense
- B Dr Irrecoverable debts expense and Cr Revenue
- C Dr Irrecoverable debts expense and Cr receivables control
- D Trade receivables control and Cr Irrecoverable debts expense

(2 Marks)

- 25 Edward is a partly qualified accountant, for the year ended 2015 he accounted for allowance for receivables amounting to Frw 170,000. During the year 2016, the write off reached Frw 190,000 and has computed the closing allowance for receivables to be Frw 120,000.

What will be the allowance charge for the year in the statement of profit or loss?

- A Frw 120,000 expense
- B Frw 170,000 expense
- C Frw 50,000 income
- D Frw 20,000 Expense

(2 Marks)

- 26 The book-keeper at ABC Ltd recorded a Frw 500,000 invoice as follows:

Debit Purchases Frw 50,000
Credit Trade Payables Frw 50,000.

Which type of Error could this be?

- Complete reversal
- A Transposition
- B Omission
- C None of the Above

(2 Marks)

- 27 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 2020 is as follows:

	Dr	Cr
Opening Balance b/f	15,000	
Bank fees		1500
Sales	210,000	
Purchases		237,000
Corporation Tax refund	300,000	
Salaries		270,000
Advertising		6,000
Repairs		3,000
Loan Interest		2550
Total	525,000	520,050

- A 5,000 Credit
- B 5,000 Debit
- C 4,950 Debit
- D 1,650 Credit

(2 Marks)

- 28 **Which of the following errors can be found when preparing the Trial Balance?**

- A Frw 209,000 posted as Frw 290,000 in the debit side whereas the credit side recorded the right figure
- B An invoice of Frw 50,000 is debited to the correct expense account and credited to the incorrect supplier account.
- C A debit error of Frw 100,000 which is cancelled by another credit error of the same amount
- D An invoice was never entered into the accounts.

(2 Marks)

29 Which of the following items cannot be recorded in the adjusted trial balance as at the end of year?

- A Closing inventory
- B Drawings
- C Opening inventory
- D Rent expense

(2 Marks)

30 Delta Inc. has discovered several errors in their trial balance. After investigation, it was found that the sales were entered as follows:

Dr Bank	75,000
Cr Sales Revenue	7,500

The correct sales figure was Frw 7,500. What is the correcting journal entry?

- A Dr Trade Receivables 67,500 and Cr Trade Payables 67,500
- B Dr Bank Frw 67,500 and Cr Suspense Account Frw 67,500
- C Dr Suspense Frw 67,500 and Cr Bank Frw 67,500
- D None of the of the above

(2 Marks)

31 Which of the following statements is/are true?

- A An organization can use a trial balance to ensure its bookkeeping was accurate.
- B The trial balance will detect all bookkeeping errors.
- C The suspense account can be cleared out at the end of the financial period.
- D None of the Above

(2 Marks)

32 Kagire's Trial balance as at 30 September 2019 includes the following balances:

Trade Receivables of Frw 1,525,000

Provision for doubtful debts Frw 320,000

How should these balances be reported in Kagire's statement of financial position as at 30 September 2019?

- A A liability of Frw 1,205,000
- B An asset of Frw 1,525,000 and a liability of Frw 320,000
- C An asset of Frw 1,205,000
- D A Liability of Frw 1,525,000 and an asset of Frw 320,000

(2 Marks)

- 33 The following balances have been extracted from the ledger of Mr Yousef, a sole trader at 31 May 2016.

	Dr	Cr
Sales		138,078
Purchases	82,350	
Carriage inwards	5,144	
Drawings	7,800	
Rent & Insurance	6,622	
Postage and stationery	3,001	
Advertising	1,330	
Salaries and Wages	26,420	
Irrecoverable debts	877	
Allowance for Receivables		130
Receivables	12,120	
Payables	6,471	
Cash on hand	177	
Cash at Bank	1,002	
Equipment at cost	58,000	
Accumulated depreciation		19,000
Capital at 01 June 2015		53,091

The following additional information as at 31 May 2016 is available.

1. Rent is accrued by 210.
2. Insurance has been prepaid by 880.
3. 2,211 of carriage represents carriage inwards on purchases.
4. Equipment is to be depreciated at 15% per annum using the straight-line method.
5. The allowance for receivables is to be increased by 40.
6. Inventory at the close of business has been valued at 13,551.

What will be the carrying amount of the Equipment?

- A 58,000
- B 39,000
- C 30,300
- D 49,300

(2 Marks)

- 34 Based on information in Q33, if the profit for the year ended 31 May 2016 is 5,888, **what will be the capital balance at 31 May 2016?**

- A 58,979
- B 66,779
- C 51,179
- D None of the Above

(2 Marks)

35 Which Statement about partnership is false?

- A When a new partner joins, he/she must pay for a share of a partnership's goodwill
- B When one partner makes a loan to the partnership, he/she become an account payable of the partnership
- C The main objective of partnership is not to make profit but rather to provide service to its members
- D Unless the partnership is a limited liability, the personal liability of each partner is unlimited and thus personal assets may be used to meet any partnership liabilities in case of bankruptcy of the partnership

(2 Marks)

- 36 Samuel and Samantha are in partnership sharing profit or loss in the ratios of 3:2 respectively. The statement of profit or loss for the year ended 31 December 2020 reported a net profit of Frw 7,677,250. Samuel is entitled to a Monthly salary of Frw 200,000.

What was Samuel's share of profit for the year ended 31 December 2020?

- A Frw 5,566,350
- B Frw 4,486,350
- C Frw 4,606,350
- D Frw 3,166,350

(2 Marks)

- 37 Janet and Jackson are partners and share profits and losses equally. On 1st January 2010, they accepted to be joined by Mike. They estimated that before the joining of a new partner, good will stands at Frw 6,000,000. They decided that, they will not maintain goodwill in their partnership accounts. The new profit-sharing ratio is 2:2:1 for Janet, Jackson and Mike respectively.

What adjustments should be made in partners' capital accounts when the goodwill is removed from the accounts?

- A Debit the capital Accounts Frw 3,000,000 (Janet) and Frw 3,000,000 (Jackson)
- B Credit the Capital Accounts Frw 3,000,000 (Janet) and Frw 3,000,000 (Jackson)
- C Debit the capital Accounts Frw 2,400,000 (Janet), Frw 2,400,000 (Jackson) and Frw 1,200,000 (Mike)
- D Credit the capital Accounts Frw 2,400,000 (Janet), Frw 2,400,000 (Jackson) and Frw 1,200,000 (Mike)

(2 Marks)

38 What are the correct ledger entries to record an acquisition of a non-current asset on credit?

Debit	Credit
A Non-current assets –	cost Receivables
B Payables	Non-current assets – cost
C Non-current assets –	Cost Payables
D Non-current assets –	cost Revaluation surplus

(2 Marks)

39 Which of the following best explains what is meant by 'capital expenditure'?

- A Expenditure on non-current assets, including repairs and maintenance
- B Expenditure on expensive assets
- C Expenditure relating to the issue of share capital
- D Expenditure relating to the acquisition or improvement of non-current assets

(2 Marks)

40 Gloria is entering an invoice for a new item of equipment in the accounts. The invoice shows the following costs:

Water treatment equipment	Frw 79,600
Delivery	Frw 2,200
Maintenance charge	Frw 7,960
Non- refundable VAT	Frw 15,708
Invoice total	Frw 105,468

Gloria is registered for VAT tax. What is the total value of capital expenditure on the invoice?

- A Frw 79,800
- B Frw 97,508
- C Frw 89,760
- D Frw 105,468

(2 Marks)

41 Laurent purchased a new car; he used his old car in part-exchange. The exchange value of the old car is Frw 7,000,000. What are the entries to be made?

- A Debit Motor car at cost and Credit Bank with Frw 7,000,000
- B Debit Asset Disposal and Credit Motor car at cost Frw 7,000,000
- C Credit Bank and Debit Motor car at cost with Frw 7,000,000

- D Debit non-current asset disposal and Credit Motor vehicle at cost with Frw 7,000,000

(2 Marks)

42 Which of the following statements about non-current asset register is/are correct?

- i) Non-current asset register is part of double entry system
- ii) The main function of non-current asset register is to provide a system of internal control for non-current assets of the business
- iii) Some organizations may not necessarily keep non-current register.

- A I & II
- B I, II&III
- C II only
- D II& III Only

(2 Marks)

43 Charles maintains an updated non-current asset register. As at January 1st 2020, he had non-current assets totaling Frw 12,000,000 and accumulated depreciation as of end of year was Frw 3,600,000. During the year he purchased a motor cycle on 30th June for Frw 2,400,000 and disposed of a car which he bought 3 years ago for Frw 4,000,000. Depreciation is charged at 25% straight line and the policy is to charge depreciation in year of acquisition and not in the year of disposal

What will be the non-current asset value in Charles's books?

- A Frw 9,500,000
- B Frw 6,800,000
- C Frw 9,800,000
- D Frw 10,400,000

(2 Marks)

44 Which of the following conditions is an exception to recover the input VAT?

- A At the time the supply was made, the trader was registered for VAT purposes
- B The VAT should not be that which is irrecoverable
- C The supply may be supported by an invoice
- D The amount available for recovery is that which is accurately calculated.

(2 Marks)

45 Christine is a registered VAT tax collector. In the First Month of the year 2020, she made sales of Frw 5,000,000 including VAT of 18% and Purchases of Frw 3,200,000 excluding VAT.

What is the net amount of input or output VAT will Christine declare in that Month?

- A Frw 186,712 Input
- B Frw 186,712 Output
- C Frw 324000 Output
- D Frw 274,576 Output

(2 Marks)

46 Which of the following is not an exempt supply for VAT purposes?

- A Goods and services related to the provision of education
- B Books, newspapers and journals
- C Precious metals
- D Construction materials

(2 Marks)

47 Which of the following statements about VAT is not correct.

- A Minerals sold on the domestic market are zero rated as far as VAT is concerned
- B Input VAT is always greater to output VAT
- C All business registered for VAT must issue a receipt printed from the EBM to all customers who buy from them
- D It is compulsory to register for VAT if your turnover from business taxable supplies, excluding VAT, exceed Frw 20 million.

(2 Marks)

48 Imena is a business registered for VAT. It has a turnover of Frw 50 million and wishes to declare VAT on a quarterly basis. When will output VAT and input VAT for the supplies related to the Month of October 2018 be declared and paid?

- A 15 October 2018
- B 15 November 2018
- C 15 March 2019
- D 15 December 2018

(2 Marks)

49 Gatera is a taxpayer who has an electronic billing machine. He is caught up in issuing manual receipts for the first time. What penalty will RRA give to him for the first time?

- A Frw 500,000
- B Frw 200,000
- C Ten times the value of evaded VAT
- D Twenty times the value of evaded VAT

(2 Marks)

50 Which of the following is the amount of penalty for a business which does not have an EBM for the first time?

- A Frw 500,000
- B Frw 200,000
- C Frw 400,000
- D Frw 500,000

(2marks)

End of question paper