ICPAR
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CERTIFIED ACCOUNTING TECHNICIAN (CAT)

STAGE 1 EXAMINATION

S2.1 PREPARATION OF BASIC ACCOUNTS

PILOT PAPER

ANSWERS

Answer Grid

1.	E	26.	A
2.	D	27.	B
3.	B	28.	C
4.	A	29.	B
5.	E	30.	A
6.	B	31.	A
7.	B	32.	B
8.	A	33.	D
9.	A	34.	C
10.	C	35.	D
11.	B	36.	B
12.	D	37.	C
13.	B	38.	B
14.	A	39.	D
15.	B	40.	A
16.	C	41.	B
17.	C	42.	E
18.	E	43.	A
19.	A	44.	A
20.	D	45.	B
21.	D	46.	D
22.	E	47.	B
23.	B	48.	C
24.	C	49.	A
25.	B	50.	D

Detailed answers to questions

Marking scheme

		Marks
(a)	2 marks for each correct answer	2
	Total marks for this section	100

1. E None of the above

Credit notes received from suppliers are recorded in the purchases returns day book (A); invoices relating to credit sales are recorded in the sales day book (B); cheques paid to suppliers are recorded in the cash book (C) as is cash received from credit customers (D).

(LO 1.2.4)

2. D Assets have increased, liabilities have not changed and capital has increased

Cedric has sold goods on credit which decreases Cedric's inventory (assets). However, Cedric will now recognise a receivable equivalent to the cost of the goods plus the profit made. Receivables are assets, so overall Cedric's assets will have increased. The profit made is added to capital, therefore capital has also increased. Liabilities are unaffected.

(LO 1.2.1)

3. B Jovia made payments of RWF5,500,000 in the year. Of this, RWF415,000 (1,245,000/3) relates to the month of October 2019. Therefore the amount that relates to the year ended 30 September 2019 is RWF5,085,000 (RWF5,500,000 – RWF415,000). The prepayment of RWF750,000 is rent expense for the current year and should be included as part of the total rent expense. Total rent expense is therefore RWF5,835,000 (RWF5,085,000 + RWF750,000).

Option A does not take account of the prepayment brought forward at 1 October 2018.

Option C incorrectly calculates the prepayment at 30 September 2019 as RWF830,000 (1,245,000/3 × 2) and so calculates the expense as (RWF5,500,000 – RWF830,000 + RWF750,000 = RWF5,420,000).

Option D incorrectly excludes all of the amount paid for the three months ending 31 October 2019 (RWF5,500,000 – RWF1,245,000 + RWF750,000 = RWF5,005,000).

(LO 2.2.2)

4. A RWF10,935,000

	RWF'000
Building materials (brick, mortar, wood etc)	9,075
Costs of employing Arthur and Rose to help with the building work	1,860
	10,935

Only the costs incurred in building the shop can be capitalised, so in this case, the costs of building materials and the costs of employing Arthur and Rose will be capitalised. The insurance costs and repairs costs to the flooring are revenue expenditure and will be expensed in Simon's statement of profit or loss.

Option B incorrectly excludes the costs of employing Arthur and Rose.

Option C incorrectly includes the repair costs.

Option D incorrectly includes the insurance costs and the repair costs.

(LO 5.1.1)

5. E None of the options given are correct.

The correct entry is:

DEBIT	Allowance for receivables	RWF400,000	
CREDIT	Irrecoverable debts expense		RWF400,000

The allowance has decreased, which means that the allowance for receivables should be debited and a credit should be recorded in profit or loss for the amount of the decrease.

Option A has the double entry the wrong way round.

Options B and D incorrectly involve the receivables control account.

Options B and C incorrectly use the value of the allowance required at the year end, rather than the change in the allowance.

(LO 4.1.5)

6. B

	RWF	
Opening balance	(88,000)	CREDIT
Correcting entry	176,000	DEBIT
Closing balance	(88,000)	DEBIT

RWF88,000 has been debited to the cash at bank account when it should have been credited to it. A correcting credit entry of RWF176,000 is required in the cash at bank account, leading to a debit entry in the suspense account.

Option A assumes that the correcting entry is Debit RWF88,000.

Option C assumes that the correctly entry has no effect on the suspense account.

Option D states the entry required to correct the error, not the balance on the suspense account.

(LO 2.3.2)

7. B The balance on the supplier's account is overstated by RWF70,000 therefore Keza needs to reduce the total by RWF70,000.

(LO 2.2.1)

8. A

RWF

	million
Sales	400
Cost of sales	(X)
Gross profit (20% × 400)	80

Therefore, cost of sales = RWF400m – RWF80m = RWF320m

	RWF million
Opening inventory	79
Plus purchases	X
Less closing inventory	29
Cost of sales	320

Therefore, purchases = 320m – 79m + 29m = RWF270m

Option B correctly calculated cost of sales but deducted closing inventory and added opening inventory: 320m – 29m + 79m = RWF370m

Option C incorrectly used gross profit instead of cost of sales and so calculated purchases as 80m – 79m + 29m = RWF30m

Option D incorrectly calculated cost of sales using 20% mark-up rather than 20% margin: cost of sales = 400/120 × 100 = RWF333.3m, and so calculated purchases as
333.3m – 79m + 29m = RWF283.3m

(LO 4.1.4)

9. A The fixtures and fittings account has been debited, therefore the balance has increased: Ngabo has purchased some fixtures and fittings. J Asiba's account has been credited, which means the amount owed to J Asiba has increased, therefore the only possible narrative is option A.

Options B and D are not correct as this is a purchase, not a sale.

Options C and D are not correct as the transaction does not involve cash.
(LO 4.1.5)

10. C

	RWF'000
Inventory at 30 June 2019	16,862
Trade receivables less allowance for receivables (28,574 – [614 + 660])	27,300
Prepayments	3,266
	47,428

Option A is incorrect as it does not deduct the allowance for receivables from trade receivables (in RWF'000: 16,862 + 28,574 + 3,266 = 48,702).

Option B is incorrect as it deducts the incorrect amount for the allowance for receivables (660 is treated as the allowance, rather than the increase in the allowance) (in RWF'000: 16,862 + (28,574 – 660) + 3,266 = 48,042).

Option D is incorrect as it includes the bank overdraft (in RWF'000: 16,862 + 27,300 + 3,266 + 1,644 = 49,072).

(LO 4.2.3)

11. B The payments are made in advance and cover a quarter (3 months) so the payment made covers March, April and May. As the year end is 31 March, the payment covers
2 months of the next financial year, which is therefore a prepayment: RWF54,000/3months × 2 months = RWF36,000.

Options A and C are incorrect as they accruals, not prepayments.

Option D is incorrect as the prepayment is calculated as 1 month rather than 2 months of the payment.

(LO 2.1.1)

12. D Depreciation = ((12,800,000 – 3,200,000)/4 years) × 4/12 months = RWF800,000

Option A does not take into account the residual value of RWF3,200,000 and does not prorate the depreciation: (12,800,000/4 years) = RWF3,200,000

Option B does not prorate the depreciation: ((12,800,000 – 3,200,000)/4 years) = RWF2,400,000

Option C does not take into account the residual value of RWF3,200,000: (12,800,000 /4 years) × 4/12 months = RWF1,066,667

(LO 5.2.1)

13. B A business is always treated as a separate entity from its owners for accounting purposes is the business entity concept.

Option A the accruals basis of accounting requires that the effects of transactions and other events are recognised when they occur, not as cash is paid or received.

Option C prudence is the exercise of caution when making judgements.

Option D going concern implies that the business will continue in operation for the foreseeable future.

(LO 1.1.1)

14. A Only statement (i) is correct.

Statement (ii) is incorrect because the totals from the books of prime entry are posted to the ledger accounts, not to the trial balance. The trial balance is extracted from the ledger accounts at the end of a reporting period after the ledger accounts have been balanced off.

Statement (iii) is incorrect because the books of prime entry for credit sales and credit purchases are the sales day book and purchases day book respectively. The receivables ledger and the payables ledger are not books of prime entry, they are separate memorandum ledger accounts. Information is posted from the sales day book and purchases day book to the receivables ledger and payables ledger respectively.

(LO 1.1.3)

15. B The current liabilities are (ii), (iii) and (v). Neither (i) or (iv) are classified as current liabilities.

(i) Allowance for receivables is deducted from trade receivables. (iv) Accumulated depreciation is deducted from the cost of non-current assets to give the asset's carrying amount.

(LO 4.2.3)

16. C Valuing inventory at the lower of cost and net realisable value is an application of prudence. Prudence is the exercise of caution when making judgements.

Option A consistency requires that similar items should be accorded similar accounting treatment.

Option B verifiability means that a number of users would broadly agree that faithful representation has been achieved.

Option D financial information is relevant if it is capable of influencing the decisions of users.

(LO 1.1.1)

17. C Accrued income relates to the value of goods delivered or services performed which have not yet been invoiced and therefore is a current asset. As such it would be recorded in the statement of financial position debit column.

(LO 2.1.3)

18. E None of the above.

The purpose of reconciling the receivables ledger with the receivables control account is to check the accuracy of the amount shown in the receivables control account. The data entered into the receivables control account comes from the same place as that entered into the receivables ledger – the sales day book. Individual transactions in the sales day book are recorded in the personal accounts of the relevant customer in the receivables ledger. Periodically the sales day book is totalled, and the total is transferred to the receivables control account in the general ledger: debit receivables control account, credit revenue. As such, the total of the balances in the receivables ledger should equal the balance on the receivables control account. If it does not, then the difference should be investigated.

Option A is incorrect as credit sales (not cash sales) are recorded in the receivables ledger and receivables control account.

Option B is incorrect as the reconciliation only checks the total of receivables balances, not individual customer balances.

Option C is incorrect because no information about due dates for invoices is used in the reconciliation.

Option D is incorrect because the reconciliation will not show if errors have been made when transactions were entered into the sales day book.

(LO 1.2.5)

19. A RWF275,625 loss

Depreciation has been charged for three years at the date of disposal. The carrying amount at the date of disposal was RWF5,315,625 (RWF12,600,000 × 0.75 × 0.75 × 0.75). The sale proceeds were RWF5,040,000, resulting in a loss of RWF275,625 (RWF5,040,000 – RWF5,315,625).

Option B is incorrect as the disposal proceeds were less than the carrying amount and so generated a loss, not a profit.

Option C incorrectly uses the straight-line method of depreciation to calculate a carrying amount of RWF3,150,000 and therefore a profit of RWF1,890,000 (RWF5,040,00 – RWF3,150,000).

Option D deducts the sales proceeds from the incorrect carrying amount of RWF3,150,000 to give a loss of RWF1,890,000.

(LO 5.3.3)

20. D All of this information should be recorded in the non-current asset register.

(LO 5.1.4)

21. D The plant and machinery ledger account shows the cost of all of Rene's plant and machinery. When the machine is sold, its original cost (RWF1,205,000) should be credited to the plant and machinery account, which has the effect of reducing the balance on the plant and machinery cost account.

Options A and B use the carrying amount rather than cost of the machine, and so are incorrect.

Option C debits the account instead of crediting it and so is incorrect.

(LO 5.3.2)

22. E None of the options given are correct.

Statement (i) is incorrect, where taxable sales exceed RWF20 million (not RWF40 million) in the previous fiscal year, or RWF5 million in the previous quarter, the business is required to register for VAT.

Statement (ii) is not correct as exempt supplies are not taken into account in determining whether a business should be registered for VAT.

Statement (iii) is not correct. A VAT-registered business with a turnover of less than RWF200 million can elect to file VAT returns and make payments on a quarterly or monthly basis. All VAT-registered businesses must make periodic tax declarations.

(LO 6.1.3)

23. B A tax invoice must include the following:

- The words 'tax invoice' in a prominent place
- The name, address and VAT registration number of the supplier
- The name or business name and address of the customer (purchaser)
- The serial number of the invoice and date of issue
- The quantity or volume of the goods or services supplied
- A description of the goods or services supplied
- The selling price, excluding VAT
- The total amount of the VAT charged
- The selling price including VAT

A VAT-registered business must use an electronic billing machine for all transactions, but the serial number of the machine is not required to be included on sales invoices, so statement (v) is incorrect. There is no requirement to give the date the business became VAT-registered on the invoice, so (ii) is incorrect.

(LO 6.1.4)

24. C The accounting equation states that 'opening capital + profit – drawings = closing capital'.

Rearranging this, profit = closing capital (or net assets) + drawings – opening capital

Therefore, profit = RWF13,260,000 + (RWF450,000 × 12) – RWF5,000,000 = RWF13,660,000.

Options A and B incorrectly rearrange the equation: RWF13,260,000 – (RWF450,000 × 12) + RWF5,000,000 = RWF12,860,000

Option D calculates the right value but incorrectly classifies it as a loss.

(LO 4.1.1)

25. B RWF74,516,000

Only the interest on the loan should be included in the statement of profit or loss. Interest on drawings is part of the appropriation of profit. Thus, the correct profit is RWF75,862,000 less RWF1,346,000 = RWF74,516,000

Option A incorrectly deducts the interest on drawings from the draft profit figure (RWF75,862,000 – RWF1,346,000 – RWF2,754,000 – RWF3,156,000 = RWF68,606,000).

Option C does not deduct the interest on the loan from the draft profit figure, and is therefore incorrect.

Option D incorrectly adds the interest on drawings to the draft profit figure (RWF75,862,000 – RWF1,346,000 + (RWF2,754,000 + RWF3,156,000) = RWF80,426,000).

(LO 3.2.1)

26. A Gross profit is sales less cost of sales. In the cost of sales calculation, delivery costs (inwards) should be included as part of the purchases cost. All of the other costs listed are not relevant in calculating gross profit.

		RWF
Revenue		64,200,000
Cost of sales		
Opening inventory	4,700,000	
Plus purchases	27,500,000	
Plus delivery costs (inwards)	980,000	
Less closing inventory	(6,800,000)	
		(26,380,000)
		37,820,000

Option B incorrectly excluded delivery costs (inwards) and included delivery costs (outwards): cost of sales of RWF4,700,000 + RWF750,000 + RWF 27,500,000 – RWF6,800,000 = RWF26,150,000, and so gross profit of RWF64,200,000 – RWF26,150,000 = RWF38,050,000.

Option C incorrectly excluded delivery costs (inwards): cost of sales of RWF4,700,000 + RWF27,500,000 – RWF6,800,000 = RWF25,400,000, and so gross profit of RWF64,200,000 – RWF25,400,000 = RWF38,800,000.

Option D incorrectly included delivery costs (outwards): cost of sales of RWF4,700,000 + RWF27,500,000 + RWF980,000 + RWF750,000 – RWF6,800,000 = RWF27,130,000, and so gross profit of RWF64,200,000 – RWF27,130,000 = RWF37,070,000.

(LO 4.2.2)

27. B The entry should have been to debit non-current assets RWF350,000 and credit bank RWF350,000, but instead it was recorded as credit purchases RWF350,000, credit bank RWF350,000. No debit entry was made. This would result in the credit column in the trial balance being RWF700,000 greater than the debit column.

Option A, despite being an error (as the electricity cost should have been debited to expenses, not non-current assets), would not have caused a difference in the trial balance as an equal and opposite debit and credit entry have been recorded.

Option C would not account for the difference because it is a mistake in the payables ledger which is not part of the general ledger, and therefore does not affect the trial balance.

Option D is similar to option A in that it would not cause a difference in the trial balance as an equal and opposite debit and credit entry have been posted, albeit to the wrong accounts.

(LO 1.4.5)

28. C (i) and (ii) only

The partnership agreement would not specify the level of drawings each partner could take nor the maximum amount that a partner can loan to the partnership.

(LO 3.1.1)

29 B RWF40,755,000

		RWF'000
Original inventory valuation		41,875
Cost of items of product Y		(1,960)
NRV of items of product Y	(RWF1,200,000 – RWF360,000)	840
		40,755

Option A simply deducts the cost of the items of product Y and does not take into account the new NRV.

Option C fails to value the items of product Y at lower of cost and NRV and instead deducts the cost of upgrade of the items from the cost of inventory.

Option D adds the new NRV to the cost of inventory but fails to deduct the old cost.

(LO 1.1.4)

30. A Sofia RWF35,400,000 and Munyentwali RWF28,600,000

	Partnership profit	*Sofia*	*Munyentwali*
	RWF'000	RWF'000	RWF'000
	64,000		
Salary	(5,000)		5,000
Profit share (3:2)	(59,000)	35,400	23,600
		35,400	28,600

Option B omitted Munyentwali's salary from his total earnings.

Option C did not deduct Munyentwali's salary from the partnership profits before allocating profits to each partner.

Option D did not deduct Munyentwali's salary from the partnership profits before allocating profits to each partner, but then did add Munyentwali's salary to his profit share.

(LO 3.2.1)

31. A Both profit and net assets will be understated.

Winny has expensed the cost of the van, instead of capitalising it. The effect is therefore that profit will be understated (as expenses are overstated) and net assets will also be understated (as non-current assets are understated). **(LO 5.4.1)**

32. B The goods for resale account should be debited with RWF473,000 (RWF558,000/118 × 100) – the amount excluding the VAT.

Option A incorrectly calculates the net amount as RWF558,000 × 82% = RWF458,000

Option C is incorrect as the goods should be recorded at the net amount, not the gross amount.

Option D incorrectly calculates VAT at 18% on the gross figure of RWF558,000: RWF558,000 × 118% = RWF658,000

(LO 6.1.2)

33. D RWF710,000 debit

BANK RECONCILIATION STATEMENT AT 31 JANUARY 2019

	RWF
Balance per bank statement	170,000
Outstanding lodgement	492,000
	662,000
Balance per general ledger (bal.fig)	710,000
Less bank charges	(48,000)
Adjusted balance per general ledger	662,000

Option A incorrectly deducts the bank charges from the balance per the bank statement and adds the outstanding lodgement to the general ledger as follows:

	RWF
Balance per bank statement	170,000
Less bank charges	(48,000)
	122,000
Balance per general ledger (bal.fig)	(370,000)
Outstanding lodgement	492,000
Adjusted balance per general ledger	122,000

Option B incorrectly ignores the outstanding lodgement and calculates the balance as follows:

	RWF
Balance per bank statement	170,000
	170,000
Balance per general ledger (bal.fig)	218,000
Less bank charges	(48,000)
Adjusted balance per general ledger	170,000

Option C is incorrect as it shows the adjusted balance per the general ledger, not the balance before adjustments as required in the question.

(LO 4.1.2)

34. C An irrecoverable debt should be removed from the receivables control account by crediting receivables. If entry has been made on the wrong side of the receivables control account, then the balance in the receivables control account would be overstated. Correcting this error would reduce the balance by RWF12,672,000 and would make it agree to the list of balances in the receivables ledger.

Option A does not account for the difference as this would mean that the receivables control account balance would be lower than the list of balances in the receivables ledger, but here the receivables control account is higher.

Option B would mean that the transaction is likely to be omitted from both the control account and the list of balances, so would not account for this difference.

Option D, although the contra would reduce the receivables control account, it would only account for half of the difference.

(LO 1.2.5)

35. D Her profit will be increased by RWF258,000

The cash received is deducted from the irrecoverable debts expense. The double entry to record the cash received is Debit cash, Credit irrecoverable debts expense. As the irrecoverable debts expense has reduced, profit will increase, therefore option D is correct. The receivables balance is unaffected by the receipt as the receivable associated with the debt was written off (removed) from receivables in the previous year, therefore option A and option B are incorrect.

(LO 2.2.2)

36. B RWF101,474,000

Account name	*Amount*	*Debit*	*Credit*
	RWF'000	RWF'000	RWF'000
Revenue	91,500		91,500
Purchases	34,156	34,156	
Administration	8,965	8,965	
Bank (overdraft)	3,000		3,000
Motor vehicle	35,505	35,505	
Motor expenses	1,392	1,392	
Receivables ledger	21,456	21,456	
Capital	6,974		6,974
		101,474	101,474

Option A incorrectly classifies the receivables ledger control as a credit balance.

Option C incorrectly classifies the bank overdraft as a debit balance.

Option D incorrectly classifies revenue as a debit balance.

(LO 2.2.3)

37. C A loss of RWF8,654,000

The total of the statement of profit or loss debit column exceeds the total of the credit column by RWF8,654,000 (RWF122,182,000 – RWF 113,528,000). This represents a loss, which will be debited to the capital account in the statement of financial position, increasing the total of the debit column to RWF130,827,000, so that the statement of financial position columns are equal.

(LO 2.3.1)

38. B

DEBIT	Irrecoverable debt expense	RWF1,435,000	
CREDIT	Receivables		RWF460,000
CREDIT	Allowance for receivables		RWF975,000

The debt is irrecoverable and must be removed from receivables (credit receivables), the allowance for receivables must be increased (credit allowance for receivables). The writing off of the debt and the increase in the allowance for receivables are both charged to irrecoverable debts expenses in the statement of profit or loss (debit irrecoverable debt expense).

Option C is incorrect as it has the debits and credits the wrong way round.

Options A and D are incorrect as they account for the irrecoverable debt by increasing the allowance, which is incorrect. Once a debt is determined to be irrecoverable, it must be removed completely from the receivables balance.

(LO 4.1.5)

39. D RWF29,460,000 decrease

	RWF'000
Loss	8,650
Eric's share (2/5)	3,460

	RWF'000	
Entries in Eric's current account		
Share of loss	3,460	Debit
Drawings	26,000	Debit
Total	29,460	Debit

Options A and B added, instead of subtracting, Eric's share of the loss.

Option C calculated the correct amount, but classified it as an increase, rather than a decrease.

(LO 3.2.3)

40. A Payables at the year-end can be calculated using the payables control account:

PAYABLES CONTROL ACCOUNT

Date	*Details*	*Amount* RWF'000	*Date*	*Details*	*Amount* RWF'000

	Bank	178,970	1 Jun 18	Balance b/f	79,654
31 May 19	Balance c/d	68,912		Purchases	168,228
		247,882			247,882

Option B is incorrect as the payables balance is a credit balance, not a debit balance.

Options C and D calculate the closing balance incorrectly by entering purchases and payments on the wrong sides of the payables control account as shown below:

Date	*Details*	*Amount* RWF'000	*Date*	*Details*	*Amount* RWF'000
	Purchases	168,228	1 Jun 18	Balance b/f	79,654
31 May 19	Balance c/d	90,396		Bank	178,970
		258,624			258,624

(LO 4.1.3)

41. B There is no adjustment needed to Kevin's general ledger balance of RWF972,000 for the bank error as it is the bank statement that is wrong and not Kevin's records. The RWF720,000 would, however, be noted as a reconciling item on the bank reconciliation.

(LO 4.1.2)

42. E None of the options given are correct.

Some sales of the business are classified as exempt. No VAT should be charged on these sales; hence option A is incorrect.

The VAT declaration calculates the amount of VAT the business should pay to the tax authorities. Input VAT suffered is recovered by deducting it from output VAT payable. Therefore option B is incorrect.

The business should make a VAT declaration periodically (monthly if turnover is more than RWF200 million). The business cannot do this just when output VAT charged exceeds input VAT suffered. Therefore option C is incorrect.

Option D is incorrect because no output VAT is charged on exempt sales. Irrecoverable VAT relates to input VAT on certain expenses which is deemed to be irrecoverable by the tax authority.

(LO 6.1.5)

43. A The VAT on these sales is RWF450,000 (RWF2,950,000 × 18/118) which should be credited to the VAT control account as it is output VAT owed to the tax authorities.

Option B is incorrect as it is a credit entry, not a debit entry that is required.

Options C and D treat the sales value as the VAT exclusive amount, giving VAT of RWF2,950,000 × 18% = RWF531,000.

(LO 7.1.3)

44. A DEBIT Factory depreciation account
CREDIT Factory accumulated depreciation account

The depreciation charge for the year is an expense which should be recognised in profit or loss as a debit entry. The credit entry should be recognised in the accumulated depreciation account which in turn, reduces the carrying amount of the factory in the financial statements.

Option B increases the carrying amount of the factory and reduces expenses which is incorrect.

Option C increases the factory cost and accumulated depreciation balances and therefore has no net effect on the factory carrying amount and does not recognise any expense.

Option D increases the factory cost and reduces the depreciation expense.

(LO 5.2.3)

45. B In times of rising costs, the weighted average will report a lower profit than first-in first-out.

Under the weighted average method issues are priced at average cost, but under the first-in first-out method issues will be based on the original cost of each unit. Therefore the cost of goods sold will be higher (and profit will be lower) under the weighted average method when the cost of goods has increased during the period.

(LO 1.1.4)

46. D The individual balances in the purchases day book are transferred to the personal accounts of suppliers in the payables ledger and the total of the purchases day book is periodically posted to the payables control account. Therefore if the amounts recorded in the purchases day book are correct, but a transposition error is made in transferring the transaction to the payables ledger, this will result in a difference between the payables ledger and the payables control account. This difference will then be shown in the reconciliation between the payables ledger and the payables control account.

(LO 1.2.5)

47. B The invoice related to these costs has already been correctly recorded in the accounts. Therefore the accrual is not required. The result of recording the accrual is to overstate expenses by RWF180,000 and overstate current liabilities by the same amount.

(LO 1.3.5)

48. C RWF41,000,000 has been correctly recorded as closing inventory in the statement of financial position debit column.

Option A is incorrect: depreciation, an expense, has been correctly extended to the statement of profit or loss debit column.

Option B is incorrect: this row represents closing inventory in the statement of profit or loss and so should be recorded in the statement of profit or loss credit column.

Option D is incorrect: to complete the accumulated depreciation row, the amounts should be added together and RWF40,737,000 (RWF33,330,000 + RWF7,407,000) entered in the statement of financial position credit column.

(LO 2.1.2)

49. A The balance on the account is the balance c/d of RWF36,440,000. As the balance c/d is on the credit side of the account, it is extracted to the debit side of the trial balance. This makes sense as the account is for office equipment, which are assets.

(LO 2.2.3)

50. D Only statement (iii) is correct.

(i) is incorrect. General purpose financial statements are prepared on the basis that the business is a going concern, ie that it will continue in operation for the foreseeable future. Where a business is not a going concern, financial statements must still be prepared, but on a basis other than the going concern basis, which is often referred to as a 'break-up basis'.

(ii) is incorrect. Materiality is subjective. Items are material if their omission or misstatement would influence the decisions of the primary users of the financial statements. Items such as related party transactions may be material even though their value is low.

(LO 1.1.5)