



CERTIFIED ACCOUNTING TECHNICIAN (CAT)

STAGE 2 EXAMINATION

S2.1 PREPARATION OF BASIC ACCOUNTS

DATE: WEDNESDAY, 01 DECEMBER 2021

INSTRUCTIONS:

1. Time allowed: **2 hours**
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

Which of the following is the basic accounting equation?

- A Assets = capital + liabilities
- B Capital = assets + liabilities
- C Liabilities = assets + capital
- D Assets = liabilities – equity

(2 Marks)

QUESTION TWO

The following assets and liabilities were extracted from the books of T&T Trading books of Account as at 31 December 2020.

Assets and Liabilities	FRW “000”
Machinery	20,000
Cash in hand	2,000
Land and buildings	200,000
Bank overdraft	50,000
Creditors	5,000
Debtors	10,000

What is T&T Trading’s capital?

- A FRW 55,000
- B FRW 177,000
- C FRW 232,000
- D FRW 287,000

(2 Marks)

QUESTION THREE

In the accounting principles and concepts, the owners of a business and the business are treated as:

- A The same person
- B Having business relationship
- C Separate
- D Partners

(2 Marks)

QUESTION FOUR

Which among the following enhances the qualities of accounting information as per the conceptual framework?

- A Relevance and consistency.
- B Comparability and materiality.
- C Relevance and faithful representation.
- D Comparability and verifiability.

(2 Marks)

QUESTION FIVE

Which of the following is a major feature of bookkeeping?

- A It provides permanent records for all financial transactions
- B It is futuristic in nature
- C It accepts responsibility for all wrong posting
- D It does not give room for double entry procedure.

(2 Marks)

QUESTION SIX

A rent of FRW 250,000 was paid by John to his landlord by cheque during the month.

Which among the following should be the double entry in John's books?

- A. Debit rent account, credit John's account
- B. Debit rent account, credit bank account
- C. Debit bank account, credit rent account
- D. Debit John's account, credit rent account

(2 Marks)

QUESTION SEVEN

Annie is a sole trader who does not keep full accounting records. The following details relate to her transactions with credit customers and suppliers for the year ended 30 June 2019:

	FRW
Trade receivables, 1 July 2018	130,000
Trade payables, 1 July 2018	60,000
Cash received from customers	686,400
Cash paid to suppliers	302,800
Discounts allowed	1,400
Discounts received	2,960
Contra between payables and receivables ledgers	2,000
Trade receivables, 30 June 2019	181,000
Trade payables, 30 June 2019	84,000

What figure should appear in purchases on Annie's statement of profit or loss for the year ended 30 June 2019?

- A FRW 325,840
- B FRW 330,200
- C FRW 331,760
- D FRW 327,760

(2 Marks)

QUESTION EIGHT

The following control account has been prepared by a trainee accountant:

	FRW		FRW
Opening balance	308,600	Cash	147,200
Credit sales	154,200	Discounts allowed	1,400
Cash sales	88,100	Interest charged on overdue	2,400
Contras	<u>4,600</u>	Irrecoverable debts	4,900
		Allowance for receivables	2,800
		Closing balance	<u>396,800</u>
	<u>555,500</u>		<u>555,500</u>

What should the closing balance be when all the errors made in preparing the receivables ledger control account have been corrected?

- A FRW 395,200
- B FRW 304,300
- C FRW 309,500
- D FRW 307,100

(2 Marks)

QUESTION NINE

An item is subject to a 20% trade discount. Its list price is FRW 1,000,000. What is the sale price?

- A FRW 800,000
- B FRW 200,000
- C FRW 1,000,000
- D FRW 1,200,000

(2 Marks)

QUESTION 10

Which of the following calculates a sole trader's net profit for a period?

- A Closing net assets – drawings + capital introduced – opening net assets
- B Closing net assets + drawings – capital introduced – opening net assets
- C Closing net assets – drawings – capital introduced – opening net assets
- D Closing net assets + drawings + capital introduced – opening net assets

(2 Marks)

QUESTION 11

A debit note is a document issued out when goods are:

- A returned
- B overcharged
- C undercharged
- D sold

(2 Marks)

QUESTION 12

Which of the following books of original entry should be used to record credit sales?

- A Sales journal
- B Sales returns journal
- C Purchases journal
- D Purchases returns journal

(2 Marks)

QUESTION 13

Credit notes issued for goods returned to a supplier will be entered in which book of original entry?

- A General journal
- B Returns inwards journal
- C Returns outwards journal
- D Petty cash journal

(2 Marks)

QUESTION 14

The total of the list of balances in Gashema's payables ledger was FRW 438,900 at 30 June 2020. This balance did not agree with Gashema's payables ledger control account balance. The following errors were discovered:

- 1) A contra entry of FRW 980 was recorded in the payable's ledger control account, but not in the payable's ledger.
- 2) The total of the purchase returns daybook was undercast by FRW 1,000.
- 3) An invoice received for FRW 4,344 was posted to the supplier's account as FRW 4,434.

What amount should Gashema report in its statement of financial position for accounts payable at 30 June 2020?

- A FRW 436,830
- B FRW 438,010
- C FRW 439,790
- D FRW 437,830

(2 Marks)

QUESTION 15

Which TWO of the following items must be disclosed in the note to the financial statements for intangible assets?

- 1) The useful lives of intangible assets capitalized in the financial statements
- 2) A description of the development projects that have been undertaken during the period
- 3) A list of all intangible assets purchased or developed in the period
- 4) Impairment losses written off intangible assets during the period

- A 1 and 4
B 2 and 3
C 3 and 4
D 1 and 2

(2 Marks)

QUESTION 16

Which of the following statements are correct?

- 1) Capitalized development expenditure must be amortized over a period not exceeding five years.
- 2) Capitalized development costs are shown in the statement of financial position under the heading of non-current assets.
- 3) If certain criteria are met, research expenditure must be recognized as an intangible asset.

- A 2 and 3
B 2 only
C 1 only
D 1 and 3

(2 Marks)

QUESTION 17

Gareth, a sales tax registered trader purchased a computer for use in his business. The invoice for the computer showed the following costs related to the purchase:

	FRW 000
Computer	890
Additional memory	95
Delivery	10
Installation	20
Maintenance (1 year)	25
	<hr/>
	1,040
18% VAT	182
	<hr/>
Total	1,222
	<hr/>

How much should Gareth capitalize as a non-current asset in relation to the purchase?

- A 1,193,000
B 1,040,000
C 1,222,000
D 1,015,000

(2 Marks)

QUESTION 18

Karim's statement of profit or loss for the year ended 31 December 2018 showed a net profit of FRW 83,600,000. It was later found out that FRW 18,000,000 paid for the purchase of a motor van had been debited to the motor expenses account. It is the company's policy to depreciate motor vans at 25% per year on the straight-line basis, with a full year's charge in the year of acquisition.

What would the net profit be after adjusting for this error?

- A 106,100,000
- B 70,100,000
- C 97,100,000
- D 101,600,000

(2 Marks)

QUESTION 19

The plant and machinery account (at cost) of a business for the year ended 31 December 2020 was as follows:

Plant and machinery – cost			
2020	FRW	2020	FRW
1 Jan Balance b/f	240,000	31 Mar Transfer to disposal account	60,000
30 Jun Cash purchase of plant	<u>160,000</u>	31 Dec Balance c/f	<u>340,000</u>
	<u>400,000</u>		<u>400,000</u>

The company's policy is to charge depreciation at 20% per year on the straight-line basis, with proportionate depreciation in the years of purchase and disposal.

What should be the depreciation charge for the year ended 31 December 2020?

- A FRW 68,000
- B FRW 64,000
- C FRW 61,000
- D FRW 55,000

(2 Marks)

QUESTION 20

The Allowance for Doubtful Accounts is necessary because:

- A Uncollected debts that are written off must be accumulated in a separate account.
- B When recording Bad Debts Expense, it is not possible to predict specifically which accounts will not be collected.
- C Management should know how much in credit losses have occurred over the years.
- D A liability results when a credit sale is made.

(2 Marks)

QUESTION 21

Which TWO of the following errors would cause the total of a trial balance not to agree?

- 1) A transposition error was made when entering a sales invoice into the sales daybook
 - 2) A cheque received from a customer was credited to cash and correctly recognized in receivables
 - 3) A purchase of non-current assets was omitted from the accounting records
 - 4) Rent received was included in the trial balance as a debit balance
- A 1 and 2
B 1 and 3
C 2 and 3
D 2 and 4
- (2 Marks)**
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QUESTION 22

On 30 June 2020 Muhoozi's allowance for receivables was FRW 39,000. At 30 June 2021 trade receivables totaled FRW 517,000. It was decided to write off debts totaling FRW 37,000 and to adjust the allowance for receivables to the equivalent of 5% of the trade receivables based on past events.

What figure should appear in the statement of profit or loss for the year ended 30 June 2021 for receivables related expense?

- A FRW 22,000
B FRW 52,000
C FRW 61,000
D FRW 37,000
- (2 Marks)**
-

QUESTION 23

The Trial balance is usually prepared by an accountant from account balances in the ledger for the purpose of:

- A Classifying in the ledger.
B Testing arithmetical accuracies of the ledger account balance.
C Identifying the balance sheet items.
D Providing a basis for establishing the accountant's competence.
- (2 Marks)**
-

QUESTION 24

The term posting in accounting refers to:

- A Recording entries in the journal.
B Transferring the balances in the ledger to the trial balance.
C Tracing amounts from the journal to the ledger to find errors.
D Transferring entries to the ledger from the journal.
- (2 Marks)**
-

QUESTION 25

Amy is a sole trader and had assets of FRW 569,400 and liabilities of FRW 412,840 on 1 January 2020. During the year ended 31 December 2020 she paid FRW 65,000 capital into the business and she paid herself wages of FRW 8,000 per month. At 31 December 2020, Amy had assets of FRW 614,130 and liabilities of FRW 369,770.

What is Amy's profit for the year ended 31 December 2020?

- A FRW 32,400
- B FRW 23,600
- C FRW 118,800
- D FRW 87,800

(2 Marks)

QUESTION 26

Trial balance	Debit	Credit
Capital account	-	50,000
Motor vehicles a/c	20,000	-
Purchases account	112,000	-
Sales account	-	186,000
Salaries account	-	34,000
Other expenses a/c	22,000	-
Cash account	48,000	-
	202,000	270,000

A trader, who commenced a business during the year, extracted his trial balance on the last day of the first month and wasn't balancing.

Which of the following reasons would explain the failure to balance?

- A Trial balance has been added wrongly
- B Salaries, expenditure, has been stated in error as a credit balance
- C The trial balance fails to include one or more of account balances
- D A payment has been posted wrongly to the credit side of an account instead of debit.

(2 Marks)

QUESTION 27

The carrying amount of a trader's non-current asset was FRW 200Million at 1st August 2019. During the year ended 31st July 2020, he sold noncurrent assets for FRW 25 million on which he sustained a loss of FRW 5 million. The depreciation charge for the year was FRW 20 million.

What was the carrying amount of non-current asset as at 31st July 2020?

- A FRW 150 Million
- B FRW 160 Million
- C FRW 145 Million
- D FRW 148 Million

(2 Marks)

QUESTION 28

Perisha has not kept accurate accounting records during the financial year. She had opening inventory of FRW 6,700 and purchased goods costing FRW 84,000 during the year. At the year end she had FRW 5,400 left in inventory. All sales are made at a mark up on cost of 20%.

What is Perisha's gross profit for the year?

- A 13,750
- B 17,060
- C 16,540
- D 20,675

(2 Marks)

QUESTION 29

In the last 12 months, Jana's capital balance increased by FRW 6,798,000. In the year her drawings totaled FRW 14,600,000 and she introduced additional capital of FRW 2,900,000.

What is Jana's net profit or loss for the year?

- A FRW 4,902,000 Loss
- B FRW 18,498,000 Loss
- C FRW 4,902,000 Profit
- D FRW 18,498,000 Profit.

(2 Marks)

QUESTION 30

What is the effect of repaying a debt on the statement of Financial Position?

- A Increases both assets and liabilities
- B Decreases both assets and liabilities
- C Increases assets and decrease liabilities
- D Decreases assets and increases liabilities

(2 Marks)

QUESTION 31

Books of original entry are used for

- A Recording business transactions.
- B The adjustment of accounts.
- C Reminding the bookkeeper to-post transactions in the ledger.
- D Informing the bookkeeper about the state of affairs.

(2 Marks)

QUESTION 32

Mimiton extracted the trial balance for the year ended 31 December 2018. The total of the debits exceeded the credits by FRW 300.

Which of the following could explain the imbalance?

- A Sales of FRW 300 were omitted from the sales daybook
- B Returns inward of FRW 150 were extracted to the debit column of the trial balance.
- C Discounts received of FRW 150 were extracted to the debit column of the trial balance
- D The bank ledger account did not agree with the bank statement by a debit of FRW 300

(2 Marks)

QUESTION 33

The following transactions relate to Rashid's electricity expense ledger account for the year ended 30 June 2019:

	FRW
Prepayment brought forward	550
Cash paid	5,400
Accrual carried forward	650

What amount should be charged to the statement of profit or loss in the year ended 30 June 2019 for electricity?

- A FRW 6,600
- B FRW 5,400
- C FRW 5,500
- D FRW 5,300

(2 Marks)

QUESTION 34

Adjusting entries are made to ensure that:

- A Expenses are recognized in the period in which they are incurred.
- B Revenues are recorded in the period in which the performance obligation is satisfied.
- C Balance sheet and income statement accounts have correct balances at the end of an accounting period.
- D All of these answer choices are correct.

(2 Marks)

QUESTION 35

On July 1 the Pax paid FRW 24,000 to Popote for 6 months' rent beginning July 1. Prepaid Rent was debited for the full amount.

If financial statements are prepared on July 31, the adjusting entry to be made by the Pax is:

- A Dr Rent Expense 24,000
Cr Prepaid Rent 4,000.
- B Dr Prepaid Rent 4,000
Cr Rent Expense 4,000.
- C Dr Rent Expense 4,000
Cr Prepaid Rent 4,000.
- D Dr Rent Expense 24,000
Cr Prepaid Rent 20,000.

(2 Marks)

QUESTION 36

Harris purchased a computer for FRW 150,000 on December 1. It is estimated that annual depreciation on the computer will be FRW 60,000. **If financial statements are to be prepared on December 31, Harris should make the following adjusting entry:**

- A Dr Depreciation Expense 60,000
Cr Accumulated Depreciation, 60,000.
- B Dr Depreciation Expense 5,000;
Cr Accumulated Depreciation 5,000.
- C Dr Depreciation Expense 12,000;
Cr Accumulated Depreciation 12,000.
- D Dr Equipment 15,000;
Cr Accumulated Depreciation 15,000.

(2 Marks)

QUESTION 37

If a business fails to adjust an Unearned Rent Revenue account for rent that has been recognized, what effect will this have on that month's financial statements?

- A Assets will be understated, and revenues will be understated.
- B Liabilities will be understated, and revenues will be understated.
- C Liabilities will be overstated, and revenues will be understated.
- D Assets will be overstated, and revenues will be understated.

(2 Marks)

QUESTION 38

Shema receives rent from a large number of properties. The total received in the year ended 30 April 2019 was FRW 481,200.

The following were the amounts of rent in advance and in arrears at 30 April 2018 and 2019:

	30 April 2018	30 April 2019
	FRW	FRW
Rent received in advance	28,700	31,200
Rent in arrears (all subsequently received)	21,200	18,400

What amount of rental income should appear in the Shema's statement of profit or loss for the year ended 30 April 2019?

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

(2 Marks)

QUESTION 39

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

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

(2 Marks)

QUESTION 40

Anna and Emma are in partnership sharing profit /loss in the ratio 3:4. The statement of profit or loss for the year to 31 May 2020 reported a gross profit of FRW 30,709 Million. Anne is entitled a salary of FRW 14,000 Million per annum.

What was the share of profit of Emma for the year to 31 May 2020?

- A FRW 7,161,000
- B FRW 9,548,000
- C FRW 17,548,000
- D FRW 25,548,000

(2 Marks)

QUESTION 41

Aron and Charon are in partnership. In the year to 31st October 2020, Aron's drawings were FRW 18,000,000 and the following entries were made in the partnership appropriation account for Aron:

	FRW "000"
Salary	6,500
Interest on drawing	1,800
Share of profit	12,750

At the 1 November 2019, the balance on Aron's current account was FRW 24,800,000(Credit).

What is the balance on Aron's current account as at 31st October 2020?

- A FRW 45,850,000
- B FRW 42,250,000
- C FRW 24,250,000
- D FRW 27,850,000

(2 Marks)

QUESTION 42

A company's motor vehicles cost account at 30 June 2020 is as follows:

Motor vehicles – cost			
	FRW		FRW
000		000	
Balance b/f	35,800	Disposal	12,000
Additions	<u>12,950</u>	Balance c/f	<u>36,750</u>
	<u>48,750</u>		<u>48,750</u>

What opening balance should be included in the following period's trial balance for Motor vehicles cost at 1 July 2020?

- A 36,750 Dr
- B 48,750 Dr
- C 36,750 Cr
- D 48,750 Cr

(2Marks)

QUESTION 43

Abiy and Bobo are partners. Their profit-sharing ratio is 3:2. Salary payable to A and B is FRW 200,000 and FRW 300,000 respectively. The profit realized by this partnership during the year end is FRW 400,000. The amount of Net profit share by Abiy and Bobo is:

- A FRW 200,000 and FRW 200,000
- B FRW 240,000 and FRW 160,000
- C FRW 320,000 and FRW 80,000
- D FRW 140,000 and FRW 260,000

(2Marks)

QUESTION 44

Services are regarded as provided in Rwanda for VAT purpose if the services provider:

- A Has no headquarters in Rwanda and nowhere else;
- B Has no headquarters in Rwanda or elsewhere but his/her usual place of residence is not in Rwanda;
- C Has no headquarters in Rwanda but has it elsewhere and the recipients of the services need it or benefit from them in Rwanda.
- D Has headquarters in Rwanda and elsewhere but the headquarters is not concerned with the supply of the services referred to is the one in Rwanda.

(2Marks)

QUESTION 45

Shamlan is a businessman in Kigali during the quarter ended 31/8/2020; he hired a foreign consultant to train the employees on the accounting software for FRW 30,000,000 inclusive of VAT. No similar service provider is available in Rwanda. How much VAT should be declared and paid by Shamlan?

- A 4,500,000
- B 4,576,270
- C 4,800,00
- D None of the above

(2Marks)

QUESTION 46

Which of the following is zero-rated supply of VAT?

- A Goods and services related to Health
- B Goods and services related to the provision of Education
- C Goods and services provided to Tourist.
- D Precious metals.

(2 Marks)

QUESTION 47

Value added tax is charged on the following items except:

- A Equipment designed for persons with disabilities
- B Transportation services of goods in transit in Rwanda to other countries including related services;

- C Aircraft benzene;
- D Goods and services

(2 Marks)

QUESTION 48

Bosco is a registered for VAT. He failed to comply with relevant EBM regulations for the fourth time. What is the amount of penalty to be charged Bosco following this breach?

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

(2 Marks)

QUESTION 49

Which of the following is the amount of the penalty levied if a business that should be registered to VAT and failed to do so?

- A FRW 400,000
- B FRW 600,000
- C FRW 500,000
- D FRW 700,000

(2 Marks)

QUESTION 50

Murokore is quarterly VAT registered business owner. His business has a turnover of FRW 180 Million. When is he supposed to declare and pay output VAT charged and inputs VAT paid in the month of October 2020?

- A 15th October 2020
- B 15th November 2020
- C 15th January 2021
- D 15th December 2020

(2 Marks)

End of question paper