
**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATIONS**

S2.1 PREPARATION OF BASIC ACCOUNTS

DATE: WEDNESDAY, 28 APRIL 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.

SECTION A

1 Which one of the following statements correctly describes inventory?

- A Item of goods bought to be used over a period of more than one year.
- B Cash received to be used in ordinary business.
- C Goods bought to be used in ordinary business or for sale.
- D Customer owing that will be received in the year.

(2Marks)

2 A non-current asset can either be tangible or intangible. Which one among the following options only consists of tangible non-current assets?

- A Land, software, furniture, computer
- B Buildings, 5-year licence, furniture, computer
- C Land, motor vehicle, furniture, computer
- D Land, software, furniture, 5-year licence

(2Marks)

3 A non-current asset cost is normally allocated over its useful life. Which accounting concept does this treatment follow?

- A Business entity
- B Going concern
- C Historical cost
- D Accruals

(2Marks)

4 Which one of the following is not an enhancing qualitative characteristic?

- A Comparability
- B Timeliness
- C Consistency
- D Verifiability

(2Marks)

5 A receivables ledger Control account has the following purpose, except which one?

- A It helps to detect errors in either receivables ledger or the control account.
- B It provides a specific customers/ receivables balance.
- C It provides quick balance for receivables.
- D It provides a check to the transactions in the receivables ledger.

(2Marks)

6 Among the following, what entry will be on the debit side of the payable's ledger control account?

- A Purchases on credit
- B Credit note received from a supplier
- C Interest on delayed payment to payables
- D Cash refund from supplier

(2Marks)

7 Zacharie started a business for milling flour from maize. He bought the milling machine from Gemeza engineers for Frw 680,000. This amount included Frw 80,000 for installation, and Frw 60,000 for the first 6 months service. The machine transportation costs to site and insurance for one-year costs were Frw 15,000 and Frw 110,000 respectively. Determine the amount that should be recognised as cost of asset and the expense for the year.

Cost of Asset	Expense
A 540,000	265,000
B 680,000	125,000
C 635,000	170,000
D 620,000	185,000

(2Marks)

8 Which of the following is a capital expenditure for a business that buys and sells motor vehicle spares?

- A Motor Oil filters
- B Motor window screen
- C Wall cabinet/shelf
- D Head lamp light

(2Marks)

9 In March 2021, Rosy Irabitsa who is registered for Value Added Tax, bought 10 boxes of juice at Frw 12,000 each inclusive of Value Added Tax of 18% from a food store. She sold all the juice for Frw 156,000 inclusive of Value Added Tax of 18%. How much will Irabitsa pay to Revenue Authority for Value Added Tax for these two transactions?

- A Frw 18,305.08
- B Frw 5,491.53
- C Frw 23,796.61
- D Frw 101,694.92

(2Marks)

- 10 The draft declaration within etax of Revenue Authority for the business of Gusekwa that files for quarterly VAT has the following extract:

VAT QUARTERLY SUMMARY		
TIN: 100000101 Business Name: Gusekwa DOCNO: 23451 Tax Period: 01-Jan-2021 to 31-Mar-2021		
Line Number	Description	Amount
5	Total Value of supply	6506551
10	Exempted sales	23500
15	Zero rated sales	1000000
20	Exports	0
25	Total Non-taxable(lines10+15+20)	1023500
30	Taxable sales subject to VAT (line5-25)	X

Determine the amounts that should be in line numbers 30 (marked X).

- A 5,506,551
- B 6,483,051
- C 5,483,051
- D 6,506,551

(2Marks)

- 11 The important deadline dates for declaration and payment of quarterly Value Added Tax for all registered taxpayers is set by the Rwanda Revenue Authority (RRA). Mr. Badege files quarterly Value Added Tax for the period from January 2021 to March 2021. When is the deadline to declare and pay Value Added Tax for Badege?

- A 30 April 2021
- B 15 April 2021
- C 31 March 2021
- D 15 March 2021

(2Marks)

- 12 Mukamana provided you the following information relating to Value Added Tax (VAT) payable account for the quarter ended 28 February 2021. VAT rate is 18%.

	Frw
The Amount payable on 01/12/2020	624,000
Sales exclusive of VAT for 3 months	5,400,000
Purchases exclusive of VAT for 3 months	6,640,000
Returns in for 3 months exclusive of VAT	88,000
Sales exempt of VAT	850,000
Amount paid for VAT on 15/12/2020	624,000

What is the balance in the VAT payable account?

- A Frw 223,200 Debit
- B Frw 239,040 Credit
- C Frw 239,040 Debit
- D Frw 1,328,000 Credit

(2Marks)

- 13 Kidogo, a business registered for VAT files VAT every month through the etax platform of the Rwanda Revenue Authority. The VAT annexure/form has a number of Tabs. Which one of the following is not one of them?

- A Sales
- B Withholdings
- C Purchases
- D VAT Retained

(2Marks)

- 14 Kamaro has a business registered for VAT but is not a large tax payer. The annual sales are Frw 720 million. They unknowingly declared the January 2021 VAT on the 16th February 2021, the net output VAT payable worth Frw 14 million. What amount will he pay to Revenue Authority if the payment was to be made on that declaration date?

- A Frw 14 million
- B Frw 15.7 million
- C Frw 22.7 million
- D Frw 24.1 million

(2Marks)

- 15 Kinani makes and sells artwork face masks. He has one artwork face mask that costs Frw 45,300. He expects to do some polishing and painting for Frw 3,000 to be able to sell the artwork face mask for Frw 50,000.

At what value should the artwork face mask be included in Kinani's inventory?

- A Frw 45,300
- B Frw 42,300
- C Frw 48,300
- D Frw 47,000

(2Marks)

- 16 (SOPL) and the figure of inventory to be included in the statement of financial position (SOFP)? Collete has counted and found the cost of inventory at Frw 5,350,000 as of year-end. The opening inventory was Frw 4,500,000. Purchases for the year were Frw 22,600,000. What is the cost of sales to be included in the statement of profit or loss?

	SOPL	SOFP
A	Frw 23,450,000	Frw 4,500,000
B	Frw 21,750,000	Frw 4,500,000
C	Frw 21,750,000	Frw 5,350,000
D	Frw 23,450,000	Frw 5,350,000

(2Marks)

- 17 Sentare has prepared the accounts for the year and had to do a prepayment adjustment for a rent expense. What will be the correct adjustment in the financial statements?

- A Increase the rent expense and show a liability
- B Reduce the rent expense and show an asset
- C No effect in rent expense and show an asset
- D Increase the rent expense and show an asset

(2Marks)

- 18 Sokoro receives rental incomes from a number of tenants. He had one tenant who had paid for three months an amount of Frw 930,000 till 31 May 2021. For the year ended 31 March 2021, how should the liability be affected once the adjustment is made for this rent received in advance?

- A Increased by Frw 310,000
- B Reduced by Frw 310,000
- C Increased by Frw 620,000
- D Reduced by Frw 620,000

(2Marks)

- 19 Which of the following statements in partnership accounts is true?

- (i) Salaries of partners is charged to the statement of profit or loss as an expense.
- (ii) Every partner's current account must have a credit balance.

- A (i) and (ii)
- B (i) only
- C (ii) only
- D Neither (i) nor (ii)

(2Marks)

- 20 Sigoma provided you with extended trial balance but had not determined the profit or loss for the year. The totals of the statement of profit or loss (SOPL) and Statement of financial position (SOFP) columns had the following totals.

Statement of profit or loss		Statement of financial position	
Dr	Cr	Dr	Cr
Frw 48,735,300	Frw 43,822,400	Frw 10,722,100	Frw 15,635,000

From this, what is the profit or loss for the year?

- A Loss of Frw 4,912,900
- B Profit of Frw 4,912,900
- C No profit nor loss
- D Not possible to determine

(2Marks)

- 21 Umucyo does not maintain full accounting records for his butchery business but provided you with the following information for the year ended 31 March 2021.

Total sales during the year Frw 6,789,000

All the sales are at a mark-up of 15%

What is the cost of sales for the butchery business of Umucyo for the year?

- A Frw 1,017,450
- B Frw 33,945,000
- C Frw 5,657,500
- D Frw 1,131,500

(2Marks)

- 22 Lambert has been taking cash from his retail business for personal use but has not been keeping record of this. He provided the business information as follows.

Net assets at the start of the year Frw 10,654,000

Net assets at the end of the year Frw 15,831,000

Additional capital during the year Frw 500,000

The profit determined from sales Frw 4,977,000

Determine the amount of cash Lambert took during the year.

- A Frw 300,000
- B Frw 700,000
- C Frw 500,000
- D Frw 800,000

(2Marks)

- 23 Sindayanga had business net assets of Frw 543,700 at the beginning of the year. During the year, Sindayanga took drawings of Frw 99,300. The net assets at the end of the year were Frw 520,000.

What was the profit or loss for the year?

- A Profit Frw 23,700
- B Loss Frw 75,600
- C Profit Frw 75,600
- D Loss Frw 23,700

(2Marks)

- 24 Imiyaga keeps records of clients in an incomplete manner as the only records for business together with cash transaction summary. He provided you with the following for the year.

The sales all on credit Frw 11,560,000

Returns inwards Frw 55,000

Cash refunds to customers Frw 105,000

Cash received Frw 18,400,500

Customers who were owing at the start of the period amounted to Frw 10,600,000

Determine the closing balance of receivables for Imiyaga

- A Frw 3,809,500
- B Frw 3,864,500
- C Frw 3,759,500
- D Frw 3,709,500

(2Marks)

- 25 Mucungamari with a boutique shop, sales all the goods at a mark-up of 30%. For the year ended 31 March 2021, you were provided with the following information regarding suppliers and inventory.

Opening inventory Frw 670,000

Closing inventory Frw 920,000

The supplier's balances at the start of the year Frw 5,400,000

Cash paid to suppliers during the year Frw 16,800,000

Sales for the year Frw 19,500,000

How much is Mucungamari's supplier's balance at the end of the year?

- A Frw 6,950,000
- B Frw 3,600,000
- C Frw 8,100,000
- D Frw 3,850,000

(2Marks)

- 26 If capital expenditure is classified as revenue expenditure by mistake, how will the profit and assets be affected?

- A Profit is understated while net assets are understated
- B Profit is overstated while net assets are understated
- C Profit is overstated while net assets are overstated
- D Profit is understated while net assets are overstated

(2Marks)

- 27 Songa bought furniture that cost Frw 640,000 on 01 April 2019. The furniture is being depreciated at 25% reducing balance basis. What will be the depreciation for the year ended 31 March 2021?

- A Frw 160,000
- B Frw 480,000
- C Frw 120,000
- D Frw 360,000

(2Marks)

28 Uwera gave back her old motor vehicle to Landmark motors for an agreed value of Frw 6,300,000 when the carrying amount was Frw 5,400,000. She got a new motor vehicle that cost Frw 15,500,000 whereby she paid the difference in cash. What is the profit/loss on disposal and the cash she paid for the new motor vehicle?

- | | | |
|---|--------------------|---------------------|
| A | Loss Frw 900,000 | Cash Frw 15,500,000 |
| B | Profit Frw 900,000 | Cash Frw 15,500,000 |
| C | Profit Frw 900,000 | Cash Frw 9,200,000 |
| D | Loss Frw 900,000 | Cash Frw 9,200,000 |

(2Marks)

29 Maraba had a farm equipment at the start of the year at a cost of Frw 22,500,000 while the accumulated depreciation was Frw 7,800,000. The equipment bought during the year cost Frw 6,300,000. Determine the amount of depreciation for the year taking 25% on a reducing balance depreciation method. Full year depreciation is charged in the year of acquisition.

- A Frw 3,675,000
- B Frw 5,250,000
- C Frw 5,625,000
- D Frw 7,200,000

(2Marks)

30 Uvugukuri who has a repairs workshop had machinery that had a carrying amount of Frw 6,984,000 at the start of the year. It was sold during the year for an agreed value to partly pay for a new machinery that cost Frw 13,000,000. Uvugukuri added Frw 8,000,000 cash to get the new machinery. What is the profit or loss on disposal and the depreciation for the year? Take the depreciation rate to be 10% on straight-line method.

- A Profit Frw 1,984,000 and Depreciation Frw 1,300,000
- B Loss Frw 1,984,000 and Depreciation Frw 1,300,000
- C Profit Frw 1,016,000 and Depreciation Frw 1,300,000
- D Loss Frw 1,016,000 and Depreciation Frw 800,000

(2Marks)

31 Which of the following statements is true about non-current asset register?

- (i) Every business should have a non-current asset register as part of its accounting system
- (ii) Assets scrapped, should be removed from non-current asset register
- (iii) An asset register is part of an accounting double entry system

- A (i)
- B (ii)
- C (iii)
- D None of the statements are true.

(2Marks)

32 Uwimbabazi maintains control accounts for suppliers and customers. She has Clode as a customer and a supplier and they agreed that a balance of Frw 147,000 should be contra entered between them, but no entries had been made. What journal entry should be made for this cancellation?

- A Dr Sales Frw 147,000 Cr Purchases Frw 147,000: Being cancellation of sales and purchases
- B Dr Purchases Frw 147,000 Cr Sales Frw 147,000: Being Cancellation of sale and purchases
- C Dr Purchases ledger control Frw 147,000 Cr Sales ledger control Frw 147,000: Being contra
- D Dr Sales ledger control Frw 147,000 Cr Purchases ledger control Frw 147,000: Being contra

(2Marks)

33 The closing balance in the general ledger of Sandra showed a bank balance of Frw 420,000 (credit). How should this be reported in the financial statements?

- A Non-current asset Frw 420,000
- B Current asset Frw 420,000
- C Non-current liability Frw 420,000
- D Current liability Frw 420,000

(2Marks)

34 The trial balance of Ganza stationery shop as at 31 March 2021 showed the following balances.
Receivables Frw 690,500
Allowance for doubtful debts Frw 53,000
How should this be reported in the statement of financial position as at 31 March 2021?

- A An asset of 690,500 and liability of Frw 53,000
- B An asset of Frw 637,500
- C A liability of Frw 637,500
- D A liability of 690,500 and an asset of Frw 53,000

(2Marks)

35 The allowance for doubtful debts had a balance of Frw 872,000 at the start of the year. At the end of the year the receivables of Frw 12,690,000 were assessed and found Frw 433,000 as doubtful. An allowance of 5% was then made on the remaining receivables.
What is the impact of the allowance under the statement of profit or loss and to the statement of financial position?

- A Decrease of allowance Frw 439,000 and allowance balance of Frw 433,000
- B Increase of allowance Frw 259,150 and allowance balance of Frw 612,850
- C Increase of allowance Frw 173,850 and allowance balance of Frw 1,045,850
- D No change in allowance and allowance balance of Frw 872,000

(2Marks)

36 Which of the following is an error of principle?

- A Stationery bought was charged to rent expense.
- B Rent expense for the year was charged to depreciation expense.
- C Stationery bought was charged to furniture cost.
- D Income received from car rental was shown in sales of goods.

(2Marks)

37 Imigisha provided the following information about new photocopying equipment which she bought using a loan from the bank.

- (i) Serial number and model
- (ii) Date of purchase/acquisition
- (iii) Useful life in terms of total copies
- (iv) Cost
- (v) Name of the bank that gave the Loan.

What information will Imigisha enter in the assets register?

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

(2Marks)

38 Which one of the following is a reason for preparing receivables ledger reconciliation?

- A To check the calculation of cost of sales
- B To identify overdue accounts receivables
- C To confirm accuracy of postings in the ledger or control account
- D To calculate discount allowed

(2Marks)

39 Which of the following two errors will be revealed by the list of account balances by totals not being equal?

- (i) Single entry
- (ii) Different amounts in debit and credit
- (iii) Error of omission
- (iv) Error of commission

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

(2Marks)

40 How should the balance in the receivables ledger control account be reported in the statement of financial position?

- A Current asset
- B Current liability
- C Non-current asset
- D Non-current liability

(2Marks)

41 The entries provided below about receivables ledger control account are for the business of Mubiza.

Opening debit balance	Frw 152,000
Credit sales	Frw 867,000
Cash sales	Frw 83,000
Cheques received	Frw 430,000
Return inwards from credit sales	Frw 55,000
Irrecoverable debts	Frw 87,000
Dishonoured cheques	Frw 93,000
Contra with payables ledger control	Frw 15,000

What balance will be reported from the receivable's ledger control account?

- A Frw 612,000
- B Frw 608,000
- C Frw 525,000
- D Frw 432,000

(2Marks)

42 Which of the following correctly calculates the profit/loss for the period?

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

(2Marks)

43 Simioni took some goods that cost Frw 56,000 and normally sold for Frw 70,000 from his boutique shop for personal use and never paid for.

Which of the following correctly records this transaction?

- A Dr Drawings Frw 56,000 Cr Purchases Frw 56,000
- B Dr Drawings Frw 56,000 Cr Inventory Frw 56,000
- C Dr Drawings Frw 70,000 Cr Sales Frw 70,000
- D Dr Sales Frw 70,000 Cr Inventory Frw 70,000

(2Marks)

44 What does a debit balance of Frw 85,000 brought forward in stationery expense account mean?

- A We owe suppliers of stationery Frw 85,000
- B We are owed by suppliers of stationery Frw 85,000
- C We lost some stationery of Frw 85,000
- D We have stationery inventory of Frw 85,000

(2Marks)

45 What is the correct definition about the non-current assets register from the following?

- A It is a schedule of planned maintenance of non-current assets
- B It is a list of physical non-current assets rather than the cost
- C It is a schedule of list of assets that have cost and other relevant information about each non-current asset
- D It is another name of non-current assets ledger account

(2Marks)

46 How does a prepaid expense affect financial statements on its adjustment?

- A It increases the expense for the year, and it is a current asset
- B It reduces the expense for the year, and it is a current asset
- C It increases the expense for the year, and it is a current liability
- D It has no effect on expense for the year and it is a current asset.

(2Marks)

47 What should be included in the cost of the computer server from the following information for the business of Ryomugabe?

Purchase cost	Frw 450,000
Uninterrupted Power Supply (UPS)	Frw 60,000
Operating system software licence	Frw 120,000
Insurance and maintenance for one-year	Frw 85,000

- A Frw 510,000
- B Frw 450,000
- C Frw 630,000
- D Frw 715,000

(2Marks)

48 Nguvu business manufactures various beverages for sale. Accordingly, what should be included as cost of the inventory of its beverages?

- (i) Carriage inwards
- (ii) Carriage outwards
- (iii) Depreciation of factory machinery
- (iv) General administration expense

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

(2Marks)

49 What accounting concept applies to why non-current assets are carried at cost less accumulated depreciation rather than the forced saleable value?

- A Going concern concept
- B Consistency concept
- C Materiality
- D Substance over form

(2Marks)

50 Simbioni who has several houses for rental provided rental income account for you to look at. What does a credit balance brought forward in rental income account show?

- A Tenants owe the given amount
- B We owe tenants the given amount
- C There is no income
- D Income is overstated

(2Marks)

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