



CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATION
S2.1 PREPARATION OF BASIC ACCOUNTS
DATE: WEDNESDAY 26, FEBRUARY 2025
MODEL ANSWERS AND MARKING GUIDE

SECTION A

Marking guide

Question number	Answers
1	C
2	D
3	D
4	A
5	D
6	A
7	B
8	B
9	C
10	D
11	D
12	B
13	C
14	A
15	A
16	C
17	A
18	B
19	C
20	C
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26	A
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Question number	Answers
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		<i>Marks</i>
Question 1 to 50	2 marks for each correct answer	2
Total marks for the Paper		100

Model Answers

QUESTION ONE

The correct answer is C – The Accruals Concept

Option A is not correct because consistency is about applying same methods and principles from one period to another.

Option B also is not correct because materiality concept states that information is material if its omission or misstatement could influence users of the financial statements.

Option D is not correct since the going concern concept is about whether an entity will continue to operate in the foreseeable future.

QUESTION TWO

The correct answer is D - Prudence does not allow for understatement of liabilities.

The other options are incorrect. Prudence is a component of neutrality. It does not allow for overstatement or understatement of assets, liabilities, income or expenses.

QUESTION THREE

The correct answer is D

The books of primary entry include sales daybook, the journal and purchases daybook.

Option A is not correct because it includes (iii) payables ledger which is not a book of prime entry;
Option B is not correct because it excludes (iv) payables daybook which is a book of prime entry;
Option C is also not correct because it excludes (ii) the journal book which is a book of prime entry.

QUESTION FOUR

The correct answer is C

Receivables = (FRW 77000 + FRW 33,000) - (FRW 48,000 + FRW 21,000) = FRW 41,000

A is not correct because it adds assets with accounts payable minus equity: FRW48,000 + FRW 33,000 + FRW 21000 - FRW 77,000 = FRW 25,000

B is not correct because it does not consider accounts payable: FRW 77,000 - FRW 48,000 - FRW 21000 = FRW 8,000

D is not correct because it considers assets minus liabilities: FRW 48,000 + FRW 21,000 - FRW 33,000 = FRW 36,000

QUESTION FIVE

The correct answer is D

D includes all the current liabilities provided in question five.

Other option i.e. A,B,C are not correct because the revaluation surplus is part of equity and thus excluded from current liabilities. The remaining are current liabilities in the financial statements.

QUESTION SIX

The correct answer is B. Option A, B and C are not correct as described below:

B equity= FRW 100,000 + FRW 80,000 = FRW 180,000 Increase

A is not correct: equity = FRW 100,000 + FRW 80,000 = FRW 180,000 decrease

C is not correct: equity = FRW 100,000 - FRW 80,000 = FRW 20,000 Decrease

D is not correct: equity= FRW 100,000 - FRW 80,000 = FRW 20,000 Increase

QUESTION SEVEN

The correct answer is C

Option C is not correct because prepaid income arenot recorded as current assets in the balance sheet but as current liability.

All other options are true statements.

QUESTION EIGHT

The correct answer is D

FRW 9,456,000 (Credit entry) +706,000 (Credit opening balance) = 10,162,000 (Credit Balance)

Option A is not correct since it provides the wrong side of the balance – This is an income and should have a credit balance in the trial balance.

Option B is not correct since it subtracts prepayments from the amount received during the period instead of adding these prepayments.

Option C is not correct since it provides both wrong amount as option B and wrong side of the balance.

QUESTION NINE

The correct answer is D.

Depreciable amount= cost-residual value = FRW 10,000,000 - FRW 2,000,000 = FRW 8,000,000

A is not correct = (FRW 10,000,000- FRW 2,000,000)/5= FRW 1,600,000. This is the annual depreciation

B is not correct = FRW 10,000,000/5 = FRW 2,000,000

C is not correct = (FRW 10,000,000/5) - FRW 2,000,000=0

QUESTION 10

The correct answer is D

All the options given in A, B and C are reasons for adjusting figures using extended trial balance.

QUESTION 11

The correct answer is D.

	A	B	C	D
Cost of goods sold	150,000,000	150,000,000	150,000,000	150,000,000
Margin (20%)				
Markup (=20/80)=25%				

	A	B	C	D
Sales figure	30,000,000	180,000,000	175,000,000	187,500,000

	A (Wrong)	B (Wrong)	C (Wrong)	D (Wrong)
	FRW	FRW	FRW	FRW
Cost of goods sold	150,000,000	150,000,000	150,000,000	150,000,000
Margin(20%)				
Markup(=20/80)=25%				
Sales figure	30,000,000	180,000,000	175,000,000	187,500,000
	This is not correct because, it is just the markup	This is not correct because it has applied the margin on cost of sales to calculate sales	This is wrong because the markup was wrongly calculated by using 20/120 instead of 20/80	

QUESTION 12

The correct answer is C

Current year expense should include any accrual of the current year (Accrued c/f) and exclude any accrual of the previous year (Accrued b/f).

Option A is not correct because it excludes the current year expense not paid (Accrued c/f) which should be included and it includes the previous year expense (Accrued b/f) paid in the current year which should be excluded.

Option B is also not correct because it includes the previous year expense (Accrued b/f) paid in the current year which should be excluded.

Option D is also not correct because C is a correct option.

QUESTION 13

The correct answer is A

Out of 9 months paid for, only 3 months are for 2021 since other 6 months are for 2022 i.e. January to June. The amount of the expense to be reported in 2021 is therefore =
 $FRW 2,700,000 \times \frac{3}{9} = FRW 900,000$

Option B is not correct since it does not adjust for prepayment

Option C is not correct since FRW 1,800,000 is the amount of expense that relates to the year 2022 and not 2021 and it is a prepayment as at 31 December 2021 but not an expense for this year.

Option D is not correct because option A is a correct option.

QUESTION 14

The correct answer is D. The prepaid rent is calculated as follows:

Total annual rent payable = $FRW 600,000 \times 6 = FRW 3,600,000$

Prepaid rent: = $FRW 4,200,000 - FRW 3,600,000 = FRW 600,000$

A is not correct because FRW 4,200,000 is the actual amount of rent paid

B is not correct because FRW 3,600,000 is total amount of rent payable

C is not correct because FRW 1,800,000 is the rent payable for the last quarter.

QUESTION 15

The correct answer is C

The Value of inventory = $FRW 30,000,000 (\text{Purchases}) - FRW 28,000,000 (\text{Cost of goods sold i.e. } 35,000,000 \times \frac{100}{125}) = FRW 2,000,000$

Option A is not correct because this amount is the cost of goods sold as shown in the above calculation.

Option B is not correct because it calculates the closing inventory on assumption that 25% is a margin and not mark-up. i.e. $FRW 30,000,000 (\text{Purchases}) - FRW 26,250,000 (\text{i.e. } 35,000,000 \times \frac{75}{100}) = FRW 3,750,000$

Option D is also not correct since it calculates the gross profit based on the purchases i.e. $FRW 30,000,000 (\text{Purchases}) - FRW 27,500,000 (\text{i.e. } 35,000,000 - 30,000,000 \times \frac{25}{100}) = FRW 2,500,000$.

QUESTION 16

The correct answer is A

Statements (i) and (ii) are correct about prepayments. The amount of excess of prepayments over accruals does not have any effect on the going concern of an entity.

Other options (B, C and D) include statement (iii) and so they are not correct.

QUESTION 17

The correct answer is B

Rent expense for the year: FRW 250,000 * 12 = FRW 3,000,000

Prepaid rent expense = FRW 6,200,000 – (FRW 1000,000 - FRW 3,000,000) = FRW 2,200,000

A is not correct because FRW 2,200,000 is not the accrued rent

C is not correct because it did not consider the accrued b/f of FRW 1,000,000, they considered only rent paid. Hence, FRW 6,200,000 - FRW 3,000,000 = FRW 3,200,000

D is not correct because it did not consider the accrued b/f of 1,000,000, i.e FRW 6,200,000 - FRW 3,000,000 = FRW 3,200,000 and it should not be regarded as accrued rent expense

QUESTION 18

The correct answer is B

See the calculation below:

	A(Wrong)	B(Correct)	C(Wrong)	D(Wrong)
	FRW 000	FRW 000	FRW 000	FRW 000
Opening inventory	1,500	1,500	1,500	1,500
Purchases	900	940	900	900
Carriage inwards	500	500	500	500
Less: Returns outwards	(360)	(360)	(360)	360
Carriage outwards	600			600
Returns inwards	700			
less: Closing inventory	(2,000)	(2,000)	(2,000)	(2,000)
Accounts payable	(1,750)			(1,750)
Cost of sales	90	580	540	110
Gross profit	2,000			

QUESTION 19

The correct answer is C

There is no share premium in partnership and thus the share premium cannot be part of a partnership agreement. All other items including salary, interest on loan taken by partners and the proportions in which residual profit is shared can be included in the partnership agreement.

QUESTION 20

The correct answer is D

The amount to be transferred to current accounts is calculated as follows:

	FRW
Antony ($6,000,0000 * 3M/5M$)	3,600,000
Babou ($6,000,0000 * 2M/5M$)	2,400,000
Note that the amount is calculated based on their contributed capital i.e. 3M and 2M respectively M shown in the table means million	

Option A is not correct because it calculates the amount to be transferred to current account using profit appropriation ratios.

Option B is not correct because it calculates the amount to be transferred to current account using profit appropriation ratios and in addition it reverses the amount attributable to partners.

Option C, is also not correct. Though, it correctly calculates the amount based on capital contributed, it reverses the amount attributable to partners.

QUESTION 21

The correct answer is B

The amount for the share of the residual profit is calculated as follows:

	FRW
Antony ($9,000,0000 * 2/3$)	6,000,000
Babou ($9,000,0000 * 1/3$)	3,000,000
Note that the amount is calculated based on the profit sharing ratios i.e. 2:1 Profit to be shared = FRW 15,000,000 – 6,000,000 = 9,000,000	

Option A is not correct because it reverses the ratios and thus the amount attributable to partners.

Option C is not correct because it calculates the amount based on the net profit for the year and not the residual profit.

Option D, is also not correct because it bases calculation on the amount to be transferred to current account and not on the residual profit.

QUESTION 22

The correct answer is C

Extended accounting equation:

Opening capital + Additional capital +/-Profit/loss –Drawings = Closing capital

Using the information, we have this translate as follows;

$186,000 + 50,000 +/-\text{Profit/loss} - (68,000+20,000) = \text{FRW } 274,000$ if we resolve the equation;

$\text{Profit/loss} = 274,000 - 186,000 - 50,000 + 88,000 = \text{FRW } 126,000$ (Profit)

Option A and D are not correct because they only consider the closing capital.

Option B is not correct because it misinterprets the results to be a loss.

QUESTION 23

The correct answer is D

The cost of goods sold = Opening Inventory + Purchases – Closing Inventory = $\text{FRW } 9,400 + \text{FRW } 31,400 - \text{FRW } 8,800 = \text{FRW } 32,000$

Option A is not correct because it only considers the purchases

Option B is not correct because it subtracts the closing inventory from purchases but does not add opening inventory to get the cost of goods sold i.e. $\text{FRW } 31,400 - 8,800 = \text{FRW } 22,600$

Option C is not correct because it adds the closing inventory and subtracts the opening inventory and this is a reverse in the treatment of inventories while calculating the cost of goods sold.

QUESTION 24

The correct answer is B

The rent expense will be $\text{FRW } 9,000 - \text{FRW } 3,000 = \text{FRW } 6,000$

Option A is not correct because it does not adjust for prepayments.

Option C is not correct. This is a prepayment(asset) and not an expense.

Option D is not correct because it wrongly adjusts the prepayment by adding it to the expense instead of subtracting it.

QUESTION 25

The correct answer is A

The light and heat expense will be $\text{FRW } 520 + \text{FRW } 180 = \text{FRW } 700$

Option B is not correctly because it wrongly adjusts the accrual by subtracting it from the expense instead of adding it i.e $\text{FRW } 520 - \text{FRW } 180 = 340$

Option C is not correct because it does not adjust for accruals.

Option D is not correct. This is the accrued expense (liability) and not an expense.

QUESTION 26

The correct answer is C

The carrying amount of shop fittings will be $\text{FRW } 26,000 - (\text{FRW } 26,000 * 20/100) = \text{FRW } 20,800$.

Option A is not correct because it does not adjust for depreciation to get the carrying amount.

Option B is not correct. This is the amount of depreciation and not the carrying amount i.e $\text{FRW } 26,000 * 20\% = \text{FRW } 5,200$

Option D is not correct. It adds the depreciation to the cost instead of subtracting it i.e $\text{FRW } 26,000 + \text{FRW } 5,200 = \text{FRW } 31,200$.

QUESTION 27

The correct answer is D

The amount of receivable to report in the SOFP will be the net realizable value i.e. $\text{FRW } 240 - (\text{FRW } 240 * 5\%) = \text{FRW } 240 - \text{FRW } 12 = \text{FRW } 228$

Option A is not correct because it adds the provision to the receivable and normally the provision should rather be deducted i.e $\text{FRW } 240 + 12 = \text{FRW } 252$

Option B is not correct. This is the amount of provision and not receivable.

Option C is not correct because it does not adjust for provision for doubtful debts.

QUESTION 28

The correct answer is A

$\text{FRW } 3,000$ (Prepaid expense-asset) and $\text{FRW } 180$ (Accrued expense –Liability)

Option B is not correct. Prepaid expense cannot be a liability and accrued expense cannot be an asset

Option C&D are not correct because they reverse the amount of prepayment and accruals.

QUESTION 29**The correct answer is B**

Net profit	A	B (Correct)	C	D
	FRW	FRW	FRW	FRW
Sales Revenues	2,700,000	2,700,000	2,700,000	2,700,000
Cost of sales	1,413,000	1,413,000	1,413,000	1,413,000
Gross Profit	1,287,000	1,287,000	1,287,000	1,287,000
Accounts receivable	228,000			
Commission income	90,000	90,000	90,000	
Rental income	63,000	63,000	63,000	90,000
Prepaid Rental income	25,000			25,000
Total incomes	1,693,000	1,440,000	1,440,000	1,402,000
Bank loan interest expense	224,000	224,000	224,000	
Salaries and wages	396,000	396,000	396,000	396,000
Electricity and water	72,000	72,000	72,000	72,000
Insurance expense	405,000	405,000	405,000	405,000
Accrued bill of electricity	17,000		17,000	
Total expenses	1,114,000	1,097,000	1,114,000	873,000
Net profit	579,000	343,000	326,000	529,000

Net profit	A	B (Correct)	C	D
	FRW	FRW	FRW	FRW
	This is wrong because it includes accounts receivables as an income yet it is an asset. It also includes prepaid income as income yet it is a liability. Accrued electricity was also wrongly included. Therefore, net profit is not correct	Correct	This is wrong because Accrued electricity was also wrongly included. Therefore, net profit is not correct	This is wrong because it includes prepaid income as income yet it is a liability. Therefore, net profit is not correct

QUESTION 30

The correct answer is C and other options are not correct as calculated below:

Net profit	A	B	C (Correct)	D
Sales Revenues	2,700,000	2,700,000	2,700,000	2,700,000
Cost of sales	1,413,000	1,413,000	1,413,000	1,413,000
Gross Profit	1,287,000	1,287,000	1,287,000	1,287,000
Accounts receivable	228,000			
Commission income	90,000	90,000	90,000	

Net profit	A	B	C (Correct)	D
Rental income	63,000	63,000	63,000	90,000
Prepaid Rental income	25,000			25,000
Total incomes	1,693,000	1,440,000	1,440,000	1,402,000
Bank loan interest expense	224,000	224,000	224,000	
Salaries and wages	396,000	396,000	396,000	396,000
Electricity and water	72,000	72,000	72,000	72,000
Insurance expense	405,000	405,000	405,000	405,000
Accrued bill of electricity	17,000	17,000		
Total expenses	1,114,000	1,114,000	1,097,000	873,000
Net profit	579,000	326,000	343,000	529,000
Net profit Margin	21.44%	12.07%	12.70%	19.59%
	This is wrong because the net profit includes accounts receivables as an income yet it is an asset. It also includes prepaid income as income yet it is a liability. Accrued	This is wrong because in the net profit, accrued electricity was also wrongly included. Therefore, net profit is not correct	Correct	This is wrong because the net profit includes prepaid income as income yet it is a liability. Therefore, net profit is not correct

Net profit	A	B	C (Correct)	D
	electricity was also wrongly included. Therefore, net profit is not correct			

A is wrong because the net profit includes accounts receivables as an income yet it is an asset. It also includes prepaid income as income yet it is a liability. Accrued electricity was also wrongly included. Therefore, net profit is not correct

B is wrong because in the net profit, accrued electricity was also wrongly included. Therefore, net profit is not correct

D is wrong because the net profit includes prepaid income as income yet it is a liability. Therefore, net profit is not correct

QUESTION 31

The correct Answer is **B** as calculated below:

Total assets	A(Wrong)	B (Correct)	C(Wrong)	D(Wrong)
	FRW	FRW	FRW	FRW
Motor vehicle-Carrying amount	2,170,000	2,170,000	2,170,000	2,170,000
Inventory	423,000	423,000	423,000	423,000
Bank	240,000	240,000	240,000	240,000
Cash	360,000	360,000	360,000	360,000
Prepaid Rental income	25,000			
Account receivable	228,000	228,000	228,000	228,000
Allowance for receivables	(12,000)	(12,000)		
Bank overdraft	200,000			200,000
Total assets	3,634,000	3,409,000	3,421,000	3,621,000
	This is wrong because it includes prepaid income and bank overdraft as assets		This is wrong because it includes prepaid income as asset	This is wrong because it includes bank overdraft as asset

QUESTION 32

The correct answer is A

We use disposal account to record disposal proceeds from sale of an assets – Not sales, Not other incomes, and not capital. Disposal account is a temporary account and is closed when the profit or loss is determined and transferred to profit or loss account. So the correct entry is:

Dr Cash Account 1,050,000

Cr Disposal Account 1,050,000

Given the above explanations options B, C and D are not correct.

QUESTION 33

The correct answer is B

The following table illustrates the calculation of depreciation and the carrying amount using reducing balance method for 4 years i.e. 2018 to 2021.

	2018	2019	2020	2021
	FRW	FRW	FRW	FRW
Carrying amount (CA) -At the beginning	3,600,000	2,520,000	1,764,000	1,234,800
Depreciation (30% of CA)	1,080,000	756,000	529,200	370,440
Carrying amount (CA) -At the end	2,520,000	1,764,000	1,234,800	864,360

Given the carrying amount at the end of 2021:

The profit on disposal = Proceeds from disposal – Carrying amount at the end of 2021
= FRW 1,050,000 – FRW 864,360 = FRW 185,640 (profit because the proceeds from disposal exceed the carrying amount).

Option A and C are not correct because FRW 2,550,000 is obtained by taking cost of asset less proceed from disposal

Option D is also not correct because the result is a profit and not a loss.

QUESTION 34

The correct answer is C

The depreciable amount of an asset is the cost of an asset, or other amount substitute for cost, less its residual value.

Option A is not correct because the cost minus the accumulated depreciation is the description of carrying amount

Option B is not correct because the cost minus the carrying amount is the accumulated depreciation

Option D is not correct because the cost divided by the useful life is the depreciation under straight line method assuming the residual value is zero.

QUESTION 35

The correct answer is D

The fact that VAT exempt supplies are only known by Rwanda Revenue Authority is not correct since these goods are known and defined in the law.

All other items listed in Option A, B and C are characteristics of VAT exempt supplies.

QUESTION 36

The correct answer is C

All the statements are correct about VAT.

Option A, B and D are thus incomplete and not correct as a result.

QUESTION 37

The correct answer is B

The amount of VAT payable by a VAT registered trader is the excess of input tax over output tax

The above statement is not a correct statement because VAT payable is the excess of output tax over input tax and not the reverse.

All other statements in options A, C and D are correct statements about input VAT.

QUESTION 38

The correct answer is C

Output VAT is also an income tax.

The above statement is not a correct statement because VAT whether input or output is not an income tax.

All other statements in options A, B and D are correct statements about output VAT.

QUESTION 39

The correct answer is A

If goods or services are taxed at 0%, they should be referred to as Zero rated supplies

Option B is not correct because there is no VAT rate applied to exempt supplies whether zero or otherwise.

Option C is not correct because standard rate is 18% and not 0%

Option D is not correct because option A is a correct option.

QUESTION 40

The correct answer is D

All the Tabs provided in this question are used during the VAT declaration.
Since Options A, B and C are incomplete and thus not correct.

QUESTION 41

The correct answer is A

The tax period is 1st to 31st August 2022

Other options i.e. B, C, and D provide periods that are either greater or less than a month and are not relevant tax period in the context of Rwanda and VAT law.

QUESTION 42

The correct answer is B

The Taxpayer can be imprisoned if convicted for voluntarily evading tax through the use of false accounts, falsified documents or any other act punishable by law.

Other Violations in A and C have other related penalties as per the law if they are not specifically associated with voluntarily evading tax through the use of false accounts, falsified documents or any other act punishable by law.

QUESTION 43

The correct answer is D

A 10%, 3-years loan should be split into both non-current and current liability components in the statement of financial position. The annual interest will be recorded as current liability and the outstanding principal will be recorded as non-current liability

A is not correct because a loan is not an asset, rather it is a liability

B is not correct because it ignores the recognition of interest which should be recognized as current liability

C is not correct because this is a 3 years loan. Current liability is less than one year

QUESTION 44

The correct answer is D

All the statements reflect how we record an acquired non-current asset in the books of accounts using 3 different methods depending on how it is paid for.

QUESTION 45**The correct answer is D**

All statements are true except D

This is because, a non-current assets register is updated when there is acquisition of new asset, sale or disposal of old asset

QUESTION 46**The correct answer is D**

All statements are false

A is false because assets register is not part of double entry system

B is false because an asset will be removed from the register when it is sold

C is false because the asset register is not required for small organizations

QUESTION 47**The correct answer is C**

	A wrong	B wrong	C(Correct)	D wrong
	FRW	FRW	FRW	FRW
Depreciation charge for machinery	2,400,000 (12,000,000/5)	1,150,000 ((12,000,000/5)- 1,250,000)	2,150,000 (12,000,000- 1,250,000)/5	10,750,000 (12,000,000- 1,250,000)
	This is wrong because it did not consider the residual value which is very important to calculate the depreciable amount	This is wrong because it considers residual value after calculating the depreciation	Correct. Depreciation is calculated as (cost-residual value)/useful life	This is wrong because it simply calculates the depreciable amount

QUESTION 48**The correct answer is A**

	A correct	B wrong	C wrong	D wrong
	FRW	FRW	FRW	FRW
Depreciation charge for motor vehicle	550,000 (5,000,000+6,000,000)*5%	650,000(7,000,000 + 6,000,000)*5%	250,000 (5,000,000 * 5%)	300,000 6,000,000 * 5%)
	Correct. Depreciation is calculated as carrying amount + the acquisition cost)*5%	This is wrong because it uses cost instead of carrying amount	this is wrong because it considers only the carrying amount of existing asset	this is wrong because it considers only the value of acquired motor vehicle

QUESTION 49**The correct answer is C**

Because the depreciation charge for the year is an expense which charged to profit/loss account and credit in the accumulated depreciation (Statement of financial position)

A is not correct because it is the reverse

B is not correct because asset will not be credited, rather a separate record will be made in the accumulated depreciation which reflect the decrease in asset

D is not correct because C is there as a correct answer

QUESTION 50**The correct answer is C**

A, B are true regarding disposal of non-current asset

End of Marking Guide and Model Answers