



---

---

**CERTIFIED ACCOUNTING TECHNICIAN**

**STAGE 3 EXAMINATIONS**

**S3.1: FINANCIAL ACCOUNTING**

**DATE: MONDAY 26, MAY 2025**

**MARKING GUIDE AND MODEL ANSWERS**

---

---

## SECTION A

### Marking guide

Question	Answer
1	D
2	C
3	B
4	A
5	D
6	A
7	B
8	C
9	A
10	B

<b>Section A- Marks allocation</b>	<b>Marks</b>
2 marks for each collect answer	2
<b>Total marks for this section</b>	<b>20</b>

### MODEL ANSWER

#### QUESTION ONE

**The Correct Answer is D.**

All statements are correct. IFRS Standards are not intended to be applied to immaterial items, nor are they retrospective. For clarity, each individual standard lays out its scope at the beginning of the standard

#### QUESTION TWO

**The Correct Answer is C (ii) only**

Sale of land and sale of goods meet the definition of income because the sale of land is an increase in assets resulting from disposal and the sale of goods is an income resulting from the normal course of ordinary activities of the entity.

A is not correct because it includes the sale of own shares which contributes to an increase in equity. The definition of income specifically prohibits a sale of shares: 'other than those relating to contributions from holders of equity claims

B is not correct because it includes (i) which is not correct as stated above

D is not correct because it incorporates also wrong answers. Sale of debentures contributes to an increase in liabilities. The debentures will have to be repaid, so there is a present obligation, hence a liability

### QUESTION THREE

#### The Correct Answer is B

The transaction for purchasing the office furniture will be recorded in the books on 23 June 2023 as this is when they receive the office furniture and can use it. Although school does not actually pay for the office furniture until 5 July 2023, they owe this money from the date when the furniture was delivered to them (23 June 2023)

A is not correct because 12 June 2023 is the order date and accrual concept does not recognize orders received or issued

C is not correct because 03 July 2023 is when the invoice is received but on accrual basis the reception of furniture is recognized in the books of accounts

D is not correct because 05 July 2023 is the payment date. Accrual concept, transactions are recognized when occurred irrespective of when cash is paid or received

### QUESTION FOUR

#### The Correct Answer is A

The profit will decrease by FRW 150 million. This is an adjusting event, as it provides evidence of a condition that existed at the reporting date – ie that the customer's debt was irrecoverable. The debt should be written off, and therefore net profit is reduced by FRW150,000,000.

B is not correct because ii) is non-adjusting, as it does not affect the situation at the reporting date and therefore has no impact on profit at the reporting date. This event should simply be disclosed in the financial statements

C is not correct because it combines the 2 events, yet the ii) is a no-adjusting event

D is not correct because event i) is an adjusting event which affect the profit for the year

### QUESTION FIVE

#### The Correct Answer is D

None of the above. This statement reflects the going concern concept.

### QUESTION SIX

In this case, **Option A** is the correct and true statement, while **B**, **C**, and **D** include common misconceptions and are therefore false

**Option B: A computerized accounting system eliminates the need for internal controls.** This statement falsely assumes that automation or digital systems make errors or fraud impossible

**Option C: Manual accounting systems are more efficient and less prone to errors than computerized systems.** This statement wrongly implies that traditional/manual methods are superior to digital ones

**Option D: Accounting systems are only used for preparing tax returns and are not useful for internal decision-making.** This statement incorrectly limits the purpose of accounting systems to tax compliance only

**QUESTION SEVEN**

**The Correct Answer is B.**

**Other options are not correct as calculated below:**

<b>A (Wrong)</b>	<b>FRW “000”</b>
Revenue	79,300
Less: Cost of sales	(54,000)
Less: Other expenses	(12,000)
Add: Accounts receivables	30,000
Add: Other incomes	24,310
<b>GROSS PROFIT</b>	<b>67,610</b>

This is wrong because it includes the accounts receivables which is an asset and it considers other expenses and other incomes yet they are only included in the calculation of net profit

<b>B(Correct)</b>	<b>FRW “000”</b>
Revenue	79,300
Less: Cost of sales	(54,000)
<b>GROSS PROFIT</b>	<b>25,300</b>

<b>C (Wrong)</b>	<b>FRW “000”</b>
Revenue	79,300
Cost of sales	(54,000)
Other expenses	(12,000)
Other incomes	24,310
<b>GROSS PROFIT</b>	<b>37,610</b>

This is wrong because it considers other expenses and other incomes yet they are only included in the calculation of net profit

## QUESTION EIGHT

**The Correct Answer is C.**

For the year ending 30 December 2023, the provision account already has a balance brought forward of

FRW10,000,000 which was recognized in the previous year ending 31 December 2022. So we only need to account for the increase in the provision which  $FRW 50,000,000 - FRW 10,000,000 = FRW 40,000,000$

A is not correct because FRW 10,000,000 is the provision for the year ending 31 December 2022

B is not correct because FRW 50,000,000 is the total provision that will be recognized in the statement of financial position as the non-current liability (it is uncertain when the amount relating to the provision will be paid, or indeed if it definitely will be paid, it is classified as a non-current liability (this is double counting of the provision)

D is not correct because FRW 60,000,000 is the total of provision for the previous year and the accumulated provision at the end of the current year (this is triple counting of the provision)

## QUESTION NINE

**The correct answer is A**

A.  $Frw200000 + Frw300000 + Frw50000 - Frw20000 = Frw 530,000$

Accounting equation:  $Assets = Liabilities + Equity$

$Equity = Assets - Liabilities$

## QUESTION 10

**The correct answer is B.**

A, C, and D, are not correct. The main responsibility of Board of directors Prepare annual accounts, have them audited, disclosure them to the shareholders and deliver them to the registrar general not Hiring the human capital manager, head of operations, chief finance and General manager of the company, Act with loyalty to the company, which includes using company assets for their own benefit, competing against the company and disclosing confidential information about the company and Act in a manner that do not comply with company incorporation documents and the law governing the companies 007/2021 of 05/02/2021.

## SECTION B

### QUESTION 11

#### Marking guide

	Marks
a) Giving a correct purpose of internal control (1 mark each - Max. 3 marks)	3
b) Giving a correct element of a good control environment (1 mark each - Max. 4 marks)	4
c) Giving a correct type of control (1 mark each - Max. 3 marks)	3
<b>Total marks</b>	<b>10</b>

#### Model Answer

**a) The purpose of internal control to ensure the compliance with statutory or organizational requirements is:**

- To protect the accounting system from systematic weaknesses, fraudulent activities and human errors.
- To ensure the accounting system complies with applicable laws and regulations
- To ensure the company is working to meet its objectives

**b) The elements of a good control environment detailed as follows:**

- Management communicate and enforce integrity and ethical behavior
- Management and staff are well trained and competent
- Management operates in a way that promotes control (eg, regularly monitoring) whether the controls are working and adhered to in practice
- The company and accounting fiction is structured in a way that promotes control
- Authority and responsibility for control is assigned to separate people e.g., segregation of duties is common piece
- Human resource policies promote controls
- Management regularly review and reassess any new or potential risks to assess whether the controls in place are robust enough to ensure a strong control environment

**c) Below are main types of controls which can help prevent fraud includes controls for the accounting system**

- Staff controls - segregation of duties
- Management controls - review of controls and regular checks on controls activities

- Physical control - locking away confidential files and ensuring office security
- Application and general computer controls-password protection access limitations and integration of systems
- Fraud controls-internal controls specifically against fraud in the areas of staff controls, management controls, physical controls and IT controls

## QUESTION 12

### Marking Guide

Question	Indicator	Marks allocation
a	Giving a relevant point of limitations on ratio analysis (1 mark each )	Max. 5
b. i	Correct formula of Gross profit percentage	0.5
	Correct answer Gross profit percentage 20x2	0.5
	Correct answer Gross profit percentage 20x3	0.5
b. ii	Correct formula of Net profit percentage	0.5
	Correct answer of Net profit percentage 20x2	0.5
	Correct answer of Net profit percentage 20x3	0.5
	<b>Marks</b>	3
b. iii	comment on the business expansion using the ratios	2
<b>Total Marks</b>		<b>10</b>

### Model Answer

#### a) The limitations of ratio analysis

- **Information problems**
  - The base information is often out of date, so timeliness of information leads to problems of interpretation
  - Historical cost information may not be the most appropriate information for the decision for which the analysis is being undertaken.
  - Information in published accounts is generally summarised information and detailed information may be needed.
  - Analysis of accounting information only identifies symptoms, not causes and is therefore of limited use.
- **Comparison problems: trend analysis**
  - Effects of price changes make comparisons difficult unless adjustments are made.
  - Impacts of changes in technology on the price of assets, the likely return and future markets.

- Impacts of a changing environment on results reflected in accounting information.
- Potential effects of changes in accounting policies on the reported results.
- Problems associated with establishing normal base year with which to compare other years
- **Comparison problems: across companies**
  - Selection of industry norms and usefulness of norms based on averages.
  - Different firms having different financial and business risk profiles and the impact on analysis.
  - Different firms using different accounting policies.
  - Impact of different environments on results (different countries or home-based versus multinational firms)

b) The ratios for Ngarambe Ltd for both years are given below

i) **Gross profit percentage= Gross profit/sales\*100**

Ratio	2020	2021
Gross profit percentage	14600/40000=36.50%	23200/50000=46.40%

ii) **Net profit percentage= Net profit/sales revenue\*100**

Ratio	2020	2021
Net profit percentage	7050/40000=17.63%	8010/50000=16.02%

iii) **The comments on the business expansion using the ratios**

The information given shows an expansion of the business in absolute terms, the profitability ratios have improved. Both the gross profit percentage and net profit percentage have gone up.

The improvement in the gross profit percentage may have arisen because margins are being increased to boost revenue, which has indeed increased.

## SECTION C

### QUESTION 13

Item	Maximum marks
<b>Sub-section a)-Calculation of good will</b>	
Consideration transferred	0.5
Non-Controlling Interest (NCI)	1
Net assets acquired:	
Share capital	0.5
Share premium	0.5
Retained earnings at acquisition	0.5
Total Net assets acquired:	1.0
Goodwill at acquisition	1.0
Impairments loss (20%)	1.0
Goodwill at the end (SOFP)	1.0
<b>Sub-total</b>	<b>7 Marks</b>
<b>Sub-section b)-Consolidated SOFP</b>	
Award 2 marks for the calculation of the group structure	2
Property Plant, and Equipment	1
Goodwill (As calculated in a)	1
Current assets	1
Share capital (FRW1 ordinary shares)	1
Share premium	1
Retained earnings (W2)	2
Non-controlling interest(W3)	2
Non-current liabilities	1
Current Liabilities	1
<b>Sub-total</b>	<b>13 Marks</b>
<b>Total</b>	<b>20 Marks</b>

## Model Answers

### a) Calculation of value of Goodwill

<i>Goodwill</i>	(FRW “000”)	(FRW “000”)
Consideration transferred		1,280
Non-Controlling Interest-NCI (1000+200+800)*40%		800
<b>Net assets acquired:</b>		
Share capital	1,000	
Share premium	200	
Retained earnings at acquisition	800	
<b>Total Net assets acquired:</b>		<b><u>(2,000)</u></b>
Goodwill at acquisition		<b>80</b>
Impairment loss (20%)		<u>16</u>
<b>Goodwill at the end (SOFP)</b>		<b><u>64</u></b>

### b) Consolidated Statements of financial position as at 31 December 2022

	FRW
<b>Assets</b>	
<b>Non-current assets</b>	
Property plant and Equipment (7600+3040)	10,640
Investment in MINI LTD (Note 1)	0
Good will (W2)	64
Current assets (2280+920)	3,200
<b>TOTAL ASSETS</b>	<b><u>13,904</u></b>
<i>Equity and liabilities</i> Equity	
Share capital (FRW1 ordinary shares) (Note 2)	4,000
Share premium (Note 2)	1,000
Retained earnings (W3)	4,108
Non-controlling interest(W4)	1,126
<b>Total Equity</b>	<b>10,234</b>
Non-current liabilities (1300+500)	1,800
Current Liabilities (1240+630)	1,870
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>13,904</u></b>

#### Notes:

- Investment in MINI LTD is not consolidated because it reflects the fair of consideration transferred and it is used in the calculation of Goodwill

2. The share Capital and share premium of MINI LTD are not consolidated because they are part of the total net assets acquired and form part of the Goodwill calculation

### Workings

<b>1. Group Structure</b>	
Acquired Shares in MINI LTD BY MEGA LTD	600,000
Share Capital of MKONI LTD	1,000,000
Acquired percentage (600,000/1,000,000)	60%
Non-controlling interest (100%-60%)	40%

<b>2. Retained earnings</b>		<b>(FRW “000”)</b>
MEGA Retained Earnings		3,620
<b>MEGA's share of</b> post-acquisition retained earnings in MINI Ltd (1,630-800)		498
Less impairment loss share ( 60%*16)		(10 )
Group retained earnings		<b>4,108</b>

<b>3. Non-controlling interests</b>		<b>(FRW “000”)</b>
NCI at acquisition (1000+200+800)*40%		800
NCI share of post-acquisition retained earnings in MINI (1,630 - 800) X 40%		332
Less: NCI share of impairment loss ((W2) 40%*16)		(6)
Non-controlling Interest at end		<b><u>1,126</u></b>

## QUESTION 14

### Marking guide

<b>SOFFER</b>	<b>Marks</b>
Sales	0.5
Returns in wards	0.5
<b>Net sales</b>	1
Opening Stock	0.5
Purchases	0.5
Carriage In	0.5
Returns out	0.5
Closing Stock	0.5
<b>Cost of Sales</b>	0.5
<b>Gross Profit</b>	0.5
Commission income	0.5
<b>Total Incomes</b>	0.5
shop wages	0.5
light and Heat	0.5
Rent expense	0.5
Insurance	0.5
<b>Total Expenses</b>	0.5
<b>Net Profit for the year</b>	1
<b>Total</b>	10

<b>SOFP</b>	
<b>Non-current Assets</b>	
shop fittings	0.5
Equipment	0.5
<b>Total Non-Current Assets</b>	0.5
Inventory	1
Accounts Receivables	0.5
Bank	0.5
Cash	0.5
<b>Total Current Assets</b>	0.5
<b>Total Assets</b>	1
Share Capital at start	0.5
<b>Profit for the year</b>	1
Less: Loss from previous period	0.5
<b>Share Capital at the end</b>	0.5
Accounts payable	0.5
<b>Total Liabilities</b>	0.5
<b>Total Capital &amp;Liabilities</b>	1
<b>Total</b>	10

## Model Answer

a)

<b>XYZ LTD statement of profit or loss /10 Marks</b>		
<b>For the year ended 30 June 2023</b>		
	<b>FRW</b>	<b>FRW</b>
Sales	608,000	
Returns in wards	(8,000)	
<b>Net sales</b>		<b>600,000</b>
Opening Stock	94,000	
Add: Purchases	314,000	
Add: Carriage In	600	
Less: Returns out	(3,500)	
Less: Closing Stock	(8,800)	
<b>Cost of Sales</b>		<b><u>(396,300)</u></b>
<b>Gross Profit</b>		<b>203,700</b>
Other Incomes		
Commission income		60,000
<b>Total Incomes</b>		<b>263,700</b>
Other Expenses		
shop wages		92,000
light and Heat		5,200
Rent expense		85,000
Insurance		1,800
<b>Total Expenses</b>		<b>184,000</b>
<b>Net Profit for the year</b>		<b>79,700</b>

b)

<b>XYZ LTD statement of financial position</b>		
<b>For the year ended 30 June 2023</b>		
Assets	<b>FRW</b>	<b>FRW</b>
<b>Non-current Assets</b>		
Shop fittings		260,000
Equipment		60,000
<b>Total Non-Current Assets</b>		<b>320,000</b>
Current Assets		
Inventory	8,800	
Accounts Receivables	2,300	
Bank	12,200	
Cash	1,900	
<b>Total Current Assets</b>		<b><u>25,200</u></b>
<b>Total Assets</b>		<b><u>345,200</u></b>
<b>Capital and Liabilities</b>		

Share Capital at start	290,000	
<b>Profit for the year</b>	<b>79,700</b>	
Less: Loss from previous period	(70,000)	
<b>Share Capital at the end</b>		<b>299,700</b>
Liabilities		
<b>Current Liabilities</b>		
Accounts payable		45,500
<b>Total Liabilities</b>		<b>45,500</b>
<b>Total Capital &amp; Liabilities</b>		<b><u>345,200</u></b>

## QUESTION 15

### MARKING GUIDE

		Marks
a)	Award marks for the workings as follows:	
	0.5 marks for each item in the workings for interest, tax and PPE for maximum 6.5 marks	6.5 Marks
	1 Mark each for the line items in the cash flow statement apart from profit before tax but including 0.5 for changes in cash and cash equivalent for a maximum 13.5 marks	13.5 Marks
	<b>Total Marks</b>	<b>20 Marks</b>

### MODEL ANSWERS:

#### a) Statement of cash flow for Nyagatare limited

Cash flows from operating activities:	FRW, "000"	FRW, "000"
Profit before tax	46,000	
Adjust for		
Finance cost	5,000	
Depreciation	16,000	
Profit on disposal of PPE (13,500-10,000)	(3,500)	
Increase in inventories (33,000-21,000)	(12,000)	
Decrease in receivables (28,000-21,000)	7,000	
Decrease in payables (240,00-5000) - (26,000-6000)	(1,000)	
Interest paid (W1)	(6,000)	
Tax paid	(12,000)	
<b>Cash flows from investing activities:</b>		<b>39,500</b>
Proceeds from disposal of PPE	13,500	
Purchase of PPE (W3)	(58,000)	

<b>Cash flows from financing activities:</b>		(44,500)
Proceeds from shares (31,000-4,000)	27,000	
Repayment of loan (30,000-11,000)	(19,000)	
Cash dividends paid (w4)	(7,000)	1,000
Change in cash and cash equivalents		(4,000)
Opening cash and cash equivalents		13,000
Closing cash and cash equivalents		9,000

### Workings:

<b>W1: Interest</b>		FRW
Opening balance		6,000,000
Current interest expense (Profit or loss)		5,000,000
Cash paid		(6,000,000)
Closing Balance		5,000,000

<b>W2: Tax</b>		FRW
Balance b/d (15,000+12,000)		27,000,000
Current year tax expenses (Profit or loss)		14,000,000
Cash paid		(12,000,000)
Balance c/d (16000+13000)		<u>29,000,000</u>

<b>W3: PPE</b>		FRW
Balance b/d		61,000,000
Depreciation		(16,000,000)
Disposal		(10,000,000)
Purchase		(58,000,000)
Balance c/d		93,000,000

<b>W4: Retained earnings</b>		FRW
Balance b/d		36,000,000
Profit or loss		32,000,000
Cash dividends paid		(7,000,000)
Balance c/d		<u>61,000,000</u>

**End of Marking Guide and Model Answers**