



## SECTION I

A. CAPITAL = ASSETS - LIABILITIES

Total Assets : Motor vehicle	Ruf 5,000
Stock	16,000
Debtor	4,000
Bank	3,000
	28,000 <span style="color: red;">1mk</span>
Less Total liabilities : Creditors	11,000
Opening Capital	17,000 <span style="color: red;">1mk</span>

Now his capital has increased by :  $4,500,000 \text{ Ruf} + 17,000 \text{ Ruf}$   
 $= 4,517,000 \text{ Ruf}$  1mk

OR : Assets : Motor vehicle	Ruf 5,000,000
Stock	16,000,000
Debtor	4,000
Bank	3,000
	21,007,000 <span style="color: red;">1mk</span>
Less liabilities	11,000
Initial Capital	20,996,000 <span style="color: red;">1mk</span>
Add: Additional Capital	4,500,000
Closing capital	25,496,000 <span style="color: red;">1mk</span>

OR Assets : Motor vehicle	5,000,000
Stock	16,000,000
Debtors	4,000,000
Bank	3,000,000
Total	28,000,000 <span style="color: red;">1mk</span>
Less liabilities Creditors	11,000,000
Opening capital	17,000,000 <span style="color: red;">1mk</span>
Add: Additional Capital	4,500,000
	21,500,000 <span style="color: red;">1mk</span>

OR : Closing Capital = Opening capital + Additional capital  
 $= 17,000 + 4,500,000 = \text{Ruf } 4,517,000$  3mk

OR  $5000 + 16,000 + 4,000 + 3000 - 11,000 = 17,000 + 4,500,000 = 4,517,000 \text{ Ruf}$   
1mk 2mk

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3  
3

2. a) Trade discount

- This refers to reduction in prices allowed to customers who buy a large quantity of goods **1mrk**  
**OR**

- Made while to give an invoice  
 - It can appear in books of A/c's  
 - Is a profit margin left for retailers in the purchase price of goods bought for resale

Cash discount

- It is a reduction given to a customer who pays before the period given (i.e. in order to encourage a prompt payment) **1mrk**  
**OR**

- Outside of an invoice  
 - It can appear in books of A/c's  
 - Is given for prompt payment by a debtor. **(4/4)**

b) Sales A/c: Dr Ruif 16,500 **1mrk**  
 Cr Ruif 10,000 **1mrk**

**OR** Dr Sales A/c Cr  
 Debtor 93,500 **2mrk**

Dr Sales A/c Cr  
 Ruif 93,500

**OR**: Total amount payable Ruif 93,500

3. a) The document which will be issued by the seller to correct the error is a CREDIT NOTE. **1mrk.**

b) Dr Bank **1mrk**  
 Cr Debtor's Haruna **1mrk**

**OR**: In Bank A/c **1mrk**

**OR**: \*OR Cash book, debit side of bank column **2mrk**  
 \* This payment will be recorded in bank A/c (debit) and debtor (Haruna!!) A/c (credit side). **1mrk**

**OR**: Bank A/c and debtor Haruna A/c  
 Haruna A/c and Bank A/c

**OR**

Dr	Bank A/c	Cr	Dr	Debtor A/c	Cr
	Debtor			Bank	

**(3/3)**

4. a) Dr Insurance A/C Rmf 20,000 1mk  
 Cr Expenses A/C 20,000 1mk

The totals will remain unchanged (compensation error) 1mk  
 OR: The Trial Balance's total after correction of this error will be Rmf 500,000 yet both A/Cs are expensed and all debited in trial balance 3 marks

OR  
 Rmf 500,000 / 3 marks  
 WRONG  
 Dr Office Expenses A/C 20,000  
 Cr Cash A/C 20,000  
 Rectification  
 Dr Insurance A/C 20,000 1/2 mk  
 Cr Office Expenses A/C 20,000

OR: No change / 3 marks  
 The total will remain the same / 3 marks

The total balance of this trial balance will be the same Rmf 500,000, because this error will not affect the trial balance 1/3mk

b) Dr Bank A/C R27,000 1mk  
 Cr Suspense A/C R27,000 1mk

OR  
 Dr Bank A/C R27,000 0.5  
 Cr Suspense A/C R27,000 0.5  
 Dr Suspense A/C R27,000 0.5  
 Cr Bank A/C R27,000 0.5

5. Balance as per Cash book 160,000 1mk  
 Add: Unpresented cheques 68,000 1mk  
 228,000  
 Less Uncredited cheques 56,000 1mk  
 Balance as per bank statement 172,000 1mk

OR  $(160,000 + 68,000) - 56,000 = 172,000$

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5/5

4/4

OR

### Bank Reconciliation Statement

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Balance as per Bank Statement	178,000	1mrk
Add: Uncredited cheques	<u>56,000</u>	1mrk
	234,000	
less unprinted cheques	<u>68,000</u>	1mrk
Balance as per Cash book	160,000	1mrk

OR : Ruf 178,000 (1/4)

5. a. Wages paid during the year	Ruf 400,000
less wages for the previous year	<u>Ruf 100,000</u> 1mrk
	Ruf 300,000
Add: Outstanding wages for the year	<u>Ruf 120,000</u> 1mrk
	<u>Ruf 420,000</u> 1mrk

OR Wages for the year ended 31/12/2012  
 = (400,000 - 100,000) + 120,000 = Ruf 420,000  
 1mrk 1mrk 1mrk

OR

### Outstanding wages (Personnel) A/C

OR

31/12 Wages paid	400,000	Balance b/d	100,000
31/12 Closing balance c/d	<u>120,000</u> 1mrk	Wages for the year	<u>420,000</u> 1mrk
	520,000		520,000

5/5

b. To profit & loss A/C	Ruf 600,000
less Rent owed	<u>Ruf 140,000</u> 1mrk
Rent paid during the year	Ruf 460,000 1mrk

7. a) Income statement: Profit will be understated by the amount considered an expense while it is part of the property cost. 1mrk  
 Balance sheet: Property Value will be understated. 1mrk

OR: ~~Reduction of net Profit in income statement, decrease in fixed Assets in the Balance sheet.~~

- \* Decrease in Owner's equity in the balance sheet
- \* Decrease in Net profit and a decrease in total assets in balance sheet.
- \* Increase in total operating expenses in income statement and decrease fixed Assets in the balance sheet.

b) Purchase Price of vehicle	Ruf
	20,000,000
less: Written down Value after 2 years	10,000,000
Depreciation for 2 years	10,000,000 1mk
Annual Depreciation	5,000,000 1mk

$$\text{Annual rate} = \frac{5,000,000 \times 100}{20,000,000} = 25\% \quad 1mk$$

OR

$$\text{Depreciation} = \frac{HC - SC}{T} = \frac{20,000,000 - 10,000,000}{2} = \text{Ruf } 5,000,000 \quad 1mk$$

$$\text{Annual rate} = \frac{D \times 100}{HC (CV)} = \frac{5,000,000 \times 100}{20,000,000} = 25\% \quad 1mk$$

8.

	Ruf
Stock	200,000 1mk
Trade debtors	600,000 1mk
Cash at Bank	50,000 1mk
Total Current Assets	850,000

OR

$$\text{Total Current Assets} = 200,000 + 600,000 + 50,000 = \text{Ruf } 850,000 \quad 1.5$$

ONLY: Total Current Assets = 850,000 Ruf  $\Rightarrow$  (3/3)

9. a). The current ratio

$$= \frac{\text{Current Assets}}{\text{Current liabilities}} = \frac{4,000}{2,000} = 2:1 \quad 1mk$$

b) Cost of goods sold:	opening stock	20,000
	Purchase	80,000
	closing stock	(40,000)
		60,000 1mk

$$\text{Average stock} = \frac{\text{opening stock} + \text{closing stock}}{2} = \text{Ruf } 30,000$$

$$\text{the rate of stock turnover} = \frac{\text{Cost of goods sold}}{\text{Average stock}} = 2 \quad 1mk$$

OR

$$\text{a) Current ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}} = \frac{4,000}{2,000} = 2 \quad 1$$

$$\text{b) Cost of goods sold} = \text{opening stock} + \text{Purchases} - \text{closing stock} \\ = 20,000 + 80,000 - 40,000 = \text{Ruf } 60,000 \quad 1mk$$

6. Stock turnover =  $\frac{\text{Cost of goods sold}}{\text{Average stock}} = \frac{\text{Rs } 60,000}{\text{Rs } 30,000} = 2 \text{ times}$  1mk.

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Cost of goods sold = opening stock + Purchases - closing stock  
 = 20,000 + 80,000 - 40,000  
 = Rs 60,000 1mk.

Average stock =  $\frac{\text{Opening stock} + \text{Closing stock}}{2} = \frac{20,000 + 40,000}{2} = \text{Rs } 30,000$  1mk.

Formula only: 1mk.

10. a) Net profit = 10% of 500,000 Rs = Rs 50,000  
 Gross profit = Expenses Rs 100,000 + Net profit Rs 50,000  
 = Rs 150,000

or Gross Profit	150,000	Rs	1mk
Less expenses	100,000	Rs	
Net profit	50,000	Rs	1mk

$\frac{4}{4}$

b) If the opening stock is overvalued, the cost of goods sold will also be overvalued and net profit will be undervalued. 1mk.

or  
 This will cause the decrease in net profit / 2mks.

11. Interest per annum = Rs 600,000 x 10% = Rs 60,000 1mk  
 The time the interest will take =  $\frac{900,000 - 600,000}{60,000} = 5 \text{ years}$  1mk

(or interest done will take  $\frac{900,000}{60,000} = 15 \text{ years}$  1mk)

- or
- A = 900,000 Rs
  - P = 600,000 Rs
  - r = 10% or 0.1
  - t = ?

A = P(1 + rt) 1mk  
 900,000 = 600,000 (1 + 0.1t)  
 $\frac{900,000}{600,000} = 1 + 0.1t$  1mk

$$1.5 = 1 + 0.1t$$

$$0.5 = 0.1t$$

$$t = \frac{0.5}{0.1} \rightarrow t = 5 \text{ Years } \text{1 mark}$$

OR

$$A = p(1 + rt)$$

$$\frac{A}{p} = 1 + rt$$

p

$$\frac{A}{p} - 1 = rt$$

p

$$\frac{\frac{A}{p} - 1}{r} = t$$

1 mark

r

$$\frac{900,000}{600,000} - 1$$

1 mark

$$= \frac{1.5 - 1}{0.1}$$

0.1

0.1

$$= 0.5 = 5 \text{ Years}$$

0.1

2 marks

OR

$$n = \frac{SE \times 100}{FR} \text{ 1 mark}$$

FR

$$SE = A - P$$

$$= 900,000 - 600,000$$

$$= 300,000 \text{ Rupee}$$

$$n = \frac{300,000 \times 100}{600,000 \times 10} = 5 \text{ years}$$

$$2 \text{ marks}$$

OR

$$\text{Time} = \frac{\text{Accumulated interest}}{\text{Annual interest}} \text{ 1 mark}$$

$$\text{Accumulated interest} =$$

$$900,000 - 600,000 = 300,000$$

$$\text{Annual interest} = 600,000 \times 10$$

100

$$= \text{Rupee } 60,000 \text{ 1 mark}$$

$$\text{Time} = \frac{300,000}{60,000} = 5 \text{ Years}$$

2 marks

3/3

12.

Year	Cash flow Rupee	Present Value at 10% Rupee
0	5,000,000	- 5,000,000 1 mark
1	2,000,000	+ 1,818,000 1 mark
2	3,000,000	+ 2,478,000 1 mark
3	3,500,000	+ 2,628,500 1 mark

$$\text{The net Present value} = 1,924,500$$

OR

$$\text{Total Present value} = 1,818,000 \text{ Rupee} + 2,478,000 \text{ Rupee} + 2,628,500 \text{ Rupee}$$

$$= \text{Rupee } 6,924,500 \text{ 2 marks}$$

$$\text{Net Present Value} = \text{Total Present value} - \text{Initial Investment}$$

$$= \text{Rupee } 6,924,500 - \text{Rupee } 5,000,000 \text{ 1 mark}$$

$$= \text{Rupee } 1,924,500 \text{ 1 mark}$$

$$\text{OR: Total Net Present Value} = 1,924,500 \text{ Rupee} = \frac{4}{4}$$

13. Loan Capital Rupee 30,000,000 will be paid first. It takes priority over preference and ordinary share capital. Rupee Preference shares will share the remaining Rupee 15,000,000 pro-rata. They take precedence over ordinary shares.



or Liquidation is final statement.

Receipts	Realized Value	Payment	Amount
Assets	45,000,000	Loan capital	1mk 30,000,000
		Preference	1mk 15,000,000
	45,000,000		45,000,000

\* The creditor will be paid first and preference shares will be the second at 37.5% but ordinary shares will be not paid because no amount remaining.

\* Amount to be distributed : 45,000,000 Rmf  
 While closing the company the following is the procedure to be followed:  
 Starting by paying Creditors, and Preference shares, lastly ordinary share holders.

So: Loan capital : Rmf 30,000,000 1mk

Preference the remaining which is 15,000,000 Rmf. Ordinary nothing due that even Preferences are not all paid. 1mk

Realized value	45,000,000 1mk
less loan capital (debture)	30,000,000 1mk
	15,000,000
less Preference shares	40,000,000
	- 25,000,000

Firstly loan capital will be totally paid where by a party of preference shares amount 15,000,000 Rmf will be paid also, but the remaining part of preference shares and of ordinary share will not be paid.

Explanation only: (4/4)

14.		Rmf.	
Operating Profit		4,000,000	90
Add: Profit on Investment		6,800,000 1mk	81
		Rmf 10,800,000	
less debture Interest + Transport		Rmf 3,600,000 1mk	
Unappropriated Profit for the year		Rmf 7,200,000 1mk	(3/3)

or

	<u>Ruf</u>
Operating profit	4,000,000
less debenture interest	<u>600,000</u> 1mk
Retained earning	3,400,000
Add: Profit on sale of investment	<u>6,800,000</u> 1mk
	10,200,000
less transfer to general reserve	<u>3,000,000</u>
Unappropriated Profit	<u>7,200,000</u> 1mk

SECTION II

15. a) Kabanyana's Trial Balance as at 30 April 2013.

Details	Dr: Ruf	Cr: Ruf
Sales		80,000 1mk
Purchases	62,000 1mk	
Stock 1 May 2012	4,000 1mk	
Equipment at cost	45,000 1mk	
Debtors	10,000 1mk	
Creditors		9,000 1mk
Cash at Bank	5,000 1mk	
Mowing	8,000 1mk	
Electricity paid	3,000 1mk	
Equipment depreciation		16,000 1mk
General Expenses	7,000 1mk	
Rent & Insurance	6,000 1mk	
Capital		45,000 2mks
	<u>150,000</u>	<u>150,000</u>

15  
15

b) The suspense Account 1mk.

16. a) Balance sheet for Mugarura as at 1 April 2012

	<u>Ruf</u>		<u>Ruf</u>
Fixed Assets	5,000,000 1mk	Capital	5,500,000 1mk
Current Assets	<u>8,000,000</u> 1mk	Current Liab.	<u>1,500,000</u> 1mk
	<u>13,000,000</u>		<u>7,000,000</u>

b) Balance sheet for Mugarura as at 31 March 2013

Do not write in this margin

	<u>Ruf</u>		<u>Ruf</u>
Fixed Assets (less dep. of 10%)	6,00,000	2 mks	Capital
Current Assets (less drawings)	2,90,000	2 mks	Profit
			Current Liab.
	<u>890,000</u>		
			<u>890,000</u>

b) Drawings : Ruf 1,000,000  
 Depreciation of F.A =  $\frac{7,500,000 \times 10}{100}$  = Ruf 7,50,000

Balance sheet as at 31st March 2013.

	<u>Ruf</u>	<u>Ruf</u>
Fixed Assets	7,500,000	1mk
less Depreciation	1,500,000	1mk
Current Assets	3,000,000	1mk
less Current liabilities	1,000,000	1mk
		<u>7,000,000</u>
Financed by: Capital	5,500,000	1mk
Add Net profit	2,500,000	2mks
less Drawings	1,000,000	1mk
		<u>7,000,000</u>

C. Employed

OR Mugaruro's Balance sheet as at 31st March 2013

	<u>Ruf</u>
Fixed Assets	6,000,000
Current Assets	3,000,000
	<u>9,000,000</u>
Financed by: Opening capital	5,500,000
Add: Net profit	2,500,000
less Drawings	1,000,000
	<u>7,000,000</u>
Add Current Liab.	2,000,000
	<u>9,000,000</u>

15  
15

<u>Assets</u>		<u>Liabilities</u>	
Fixed Assets	6,000,000	Capital	5,500,000
Current Assets	2,000,000	Net profit	500,000
	<u>8,000,000</u>	Current liabilities	2,000,000
			<u>8,000,000</u>

Assets	Liabilities
FA 6,000,000 <sup>2mks</sup>	Capital 5,500,000 <sup>1mk</sup>
C.A (less dr.) 2,000,000 <sup>2mks</sup>	Less drawings <u>1,000,000</u>
	4,500,000
	Add: Net P (Balance) 1,500,000 <sup>2mks</sup>
	Current liabilities 2,000,000 <sup>1mk</sup>
<u>8,000,000</u>	<u>8,000,000</u> <sup>1mk.</sup>

C) By providing for depreciation, Mugarura is prudent not to overstate the value of his assets <sup>1mk</sup> and therefore, avoids overstating his profit. <sup>1mk</sup>

OR: Mugarura is taking care of prudence concept as that one requires not to anticipate for revenues before they are completely realized but provide for all probable losses and costs before they are occurring.

or Mugarura will observe the prudence principle through deducting depreciation value from his fixed asset which results in the real profit.

OR Mugarura will observe the prudence concept by subtracting depreciation to the fixed assets.

or through giving correct value to his fixed assets which results in correct profit of the business for the year.

or through the prudence concept Mugarura will observe the current value of the fixed assets after calculating its depreciation.

$$AF. a) \text{ Current ratio} = \frac{\text{Current Assets} \supset 1mk}{\text{Current liabilities}} = \frac{24,886}{23,070} = 1.07 \supset 1mk$$

$$b) \text{ Liquid ratio} = \frac{\text{Liquid Assets} \supset 1mk \text{ (Cash + debtors)}}{\text{Liquid liabilities} \supset 1mk \text{ (Creditors + overdraft)}} = \frac{990 + 8,800}{11,460 + 8,260} = \text{appr. } 0.5 \supset 1mk$$

Any other two ratios: each one: formula, calculation

C) Ratios are calculated to determine profitability, liquidity, growth and the value of assets.

Any two reasons, 1mk each.

Q) Five user groups:

- Managers, Shareholders, Bank, Investors, Competitors

Any 5 users, 1 mark each.

**DRAFT**

OR: i) Current ratio =  $\frac{\text{Total Current Assets} = 24,886}{\text{Total Current Liabilities} = 23070} = 1.07$  1mk

ii) Liquid ratio =  $\frac{\text{Total Assets} - \text{Stock} = 24,886 - 15,100}{\text{Current Liabilities} = 23070} = 0.42$  1mk

iii) Stock turnover ratio =  $\frac{\text{Cost of goods sold} = 194,270}{\text{Average Stock} = 14,300} = 13.5 \text{ times}$

\* Cost of goods sold = Opening stock + Purchases - Closing stock  
 = 13,500 + 195,870 - 15,100 = Prof 194,270

\* Average stock =  $\frac{\text{Opening stock} + \text{Closing stock} = 13,500 + 15,100}{2} = 14,300$

iv) Gross Profit Ratio =  $\frac{\text{Gross Profit} = 14,300}{\text{Sales} = 60,190} \times 100 = 24.9\%$  1mk

OR a) Current Assets :

Stock	15,100	
Debtors	8,500	
Cash	990	24,590

Current liabilities :

Creditors	11,460	
Bank overdraft	8,260	19,720

i) Current ratio =  $\frac{24,590}{19,720} = 1.25$  1mk

ii) Quick ratio =  $\frac{24,590 - 15,100}{19,720} = 0.5$  1mk

15/15

- b) Two reasons to calculate ratios are:
- to analyse the profitability of the company
  - to check the solvency of the company
  - to analyse the efficiency and effectiveness of the business
  - to analyse the performance of the organization
  - to compare the business activity between the past period and current period.
- Any two reasons, 1mk each.

- c) Managers  
 Auditors  
 Financial institutions  
 Owners of the business (Shareholders)  
 Investors

Any 5 answers, 1mk each.

18) Trading and Profit and Loss A/c for the year ended 31 March 2013

		<u>Rs</u>	<u>Rs</u>
Sales			200,000
less Cost of goods sold			
Opening stock		12,000	1mk
Purchases	100,000		
less return outwards	2,000	118,000	
		<u>130,000</u>	
less Closing stock	1mk	10,000	<u>120,000</u>
Gross Profit			80,000
Add: Rent received			5,000
Discount received			3,000
			<u>88,000</u>
less: wages	12,000		
Insurance	3,000		
General expenses	22,000		
Depreciation	15,000	1mk	
		<u>52,000</u>	<u>30,000</u>

a) Ali's Net profit as percentage of his sales =  $\frac{\text{Net Profit} \times 100}{\text{Net sales}}$  1mk  
 $= \frac{30,000 \times 100}{200,000} = 15\%$  1mk

- OR
- i) 12,000 Rs 1mk
  - ii) return out / purchase returns 1mk
  - iii) Closing Stock 1mk
  - iv) 5,000 1mk
  - v) Received 1mk
  - vi) 15,000 1mk

b) Net profit ratio =  $\frac{\text{Net profit} \times 100}{\text{Capital employed}}$  1mk  
 $= \frac{30,000 \times 100}{250,000} = 12\%$  1mk

Working: Capital employed = capital + loan capital  
 $= 200,000 + 50,000 = \text{Rs } 250,000$  1mk

c) The first reason is to know the return on capital employed and the second reason is to plan for future investment. 2mks

OR: - It is an indicator, to know success or failure of the business.  
 - To evaluate profit earning capacity in relation to capital employed.

(19) a) For both individuals and corporate bodies, taxable income is gross income <sup>1mk</sup> reduced by adjustments and allowable deduction <sup>1mk</sup>

Tax rates are percentage deductions applied to taxable income to determine an individual's or a company's tax liabilities <sup>2mks</sup>. For individuals taxable income is from employment income <sup>1mk</sup> and deducted from source as P. & Y. E. (pay as you earn) <sup>1mk</sup>. for the corporate bodies, the tax is computed from adjusted net profit <sup>1mk</sup>

b) three types of withholding taxes:

- 15% tax on payment such as dividends, interests, royalties and services fees. <sup>1mk</sup>
- 5% tax of the value of goods imported for commercial use <sup>1mk</sup>
- 3% tax on the sum of invoice, excluding the value added tax: <sup>1mk</sup>.

c) Consumption is collected on some imported and locally manufactured <sup>1mk</sup> products. It is calculated at various rates as a percentage of the value of goods concerned.

d) Enterprises are required by law to register for VAT if their turnover is above 20,000,000 Rwf for any period of 12 months <sup>1mk</sup> or 5,000,000 Rwf in three consecutive months in the last quarter of the year <sup>1mk</sup>.

18. Two reasons why it is important to know net profit as a percentage of capital employed

- It measures the profitability <sup>1mk</sup> of investment. A higher return on capital employed indicates more efficient use of capital
- It is used to compare the performance <sup>1mk</sup> of different investments to help decision making <sup>1mk</sup> as to which one is more profitable. Any other valid point <sup>1mk</sup> with explanation <sup>1mk</sup>



This is a copy of a letter from the  
 Secretary of the Department of  
 Education to the Board of  
 Education. The letter is dated  
 and contains the following  
 information: