

Financial Accounting

T039

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1: 30 – 4: 30 PM

WORKFORCE DEVELOPMENT AUTHORITY



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**ADVANCED LEVEL NATIONAL EXAMINATIONS, 2013,
TECHNICAL AND PROFESSIONAL TRADES**

EXAM TITLE: Financial Accounting

OPTIONS: Accountancy (ACC)

Computer Science and Management (CSM)

DURATION: 3 hours

INSTRUCTIONS:

The paper contains **Two (2)** Sections :

Section I: Fourteen (14) questions, **all Compulsory.**

55marks

Section II: Five (5) questions, **choose any three (3).**

45marks

Section I: Attempt all the 14 questions 55marks

01. A business had the following assets and liabilities.

	RWF
Motor Vehicles	5,000,
Stock	16,000,
Debtors	4,000
Bank (Dr)	3,000
Creditors	11 000

The owner has now increased his capital in the business by 4.5 million RWF. What is the capital now? **3marks**

02. a) Distinguish between trade and cash discount. **2marks**

b) If goods were sold at RWF 110 000 and the trade discount was RWF 16 500, what should be the credit entry in the Sales account? **2marks**

03. a) It was discovered that a credit customer had been charged RWF 76000 for a purchase instead of RWF 67000. Which document will be issued by the seller to correct the error? **1mark**

b) Mugisha receives a cheque from Haruna, in payment for goods purchased on credit. Where will he enter this payment? **2marks**

04. a) A trial balance agrees, total debits and total credits being RWF 500 000, but an insurance payment of RWF 20 000 had been entered in the Office Expenses account instead of the Insurance account. What will be the trial balance totals after correction of this error? **3marks**

b) It is found that rent paid of RWF 25 000 has been correctly entered in the Rent account but credited to the Bank account as RWF 52 000. Which entries should be made to correct this error? **2marks**

05. The cash book of a trader shows the bank account has a debit balance of RWF 160 000. There are unpresented cheques worth RWF 68,000 and an amount of 56 000 not yet credited by the bank. What is the balance on the bank statement at 31 October? **4marks**

06. a) At 1st January a trader owed wages of RWF 100 000. During the year ended 31 December 2012, he paid wages of RWF 400 000.

At 31 December he owed wages of RWF 120 000. How much should he have entered in the Profit and Loss Account for wages for that year? **3marks**

b) Gahigi started a business on 1 January 2012 using rented premises. At 31 December 2012 he owed RWF 140 000 for rent. The rent charge to the Profit and Loss Account for the year ended 31 December 2012 was RWF 600 000. How much was paid for rent during the year? **2marks**

07. a) Legal costs incurred in the purchase of a business property have been entered the Expenses account. What will be the effect of this on the Income Statement and the Balance Sheet of the business? **2marks**

b) A vehicle was bought for RWF 20,000,000 on 1 January. Two years later, it has a book value of RWF 10,000,000. Depreciation was calculated using the straight line method. What is the annual rate of depreciation? **3marks**

08. The following balances have been taken from a trader's books.

	RWF
Stock	200 000
Equipment	800 000
Trade debtors	600 000
Trade creditors	350 000
Long term-loan from bank	200 000
Cash at bank	50 000

What is the total of the current assets?

3marks

09. a) A business has the following assets and liabilities:

	RWF
Fixed assets	30 000
Current assets	4 000
Current liabilities	2 000
Long-term loan	12 000

What is the current ratio?

2marks

b) The following information is available for a business for a financial year:

Opening Stock	20 000RWF	Purchases	80 000RWF
Closing Stock	40 000RW	Sales	240 000RWF

What is the rate of stock turnover for the year?

3marks

10. a) Sales are RWF 500,000, expenses are RWF 100,000 and net profit is 10% of sales. What is the gross profit? **2marks**

b) Explain the effect on net profit if opening stock is overvalued. **2marks**

11. Mr Rukwavu paid RWF 600,000 into a bank account at a simple interest rate 10% p.a. How long will the invest take to generate Rwf 900 000? **3marks**

12. An investment of RWF 5,000,000 will yield the following annual net cash flows over three years at a discount rate of 10%:

Year	Cash flow RWF ³	Present value at 10% RWF
1	2,000,000	1,818,000
2	3,000,000	2,478,000
3	3,500,000	2,628,500

What is the net present value of the investment? **4marks**

13. A company has just been wound up and the only assets that remain have realised RWF 45,000,000. The company's capital structure consists of ordinary shares RWF 20,000,000, preference shares RWF 40,000,000 and loan capital RWF 30,000,000. How will the RWF 45,000,000 be distributed? Explain. **4marks**

14. For the year ended 31 December 2012 shows an operating profit of RWF 4,000,000, debenture interest RWF 600,000, profit on sale of investment shares 6,800,000 and transfer of RWF 3,000,000 to general reserve. Calculate the unappropriated profit for the year. **3marks**

Section II: Choose and Answer any Three (3) questions. 45marks

15. Kabanyana runs her business from rented premises. The following balances were extracted from her books on 30 April 2013.

	RWF
Stock 1 May 2012	4,000
Sales	80,000
Purchases	62,000
Debtors	10,000
Creditors	9,000
Electricity paid	3,000
General expenses	7,000
Cash at bank	5,000
Drawing	8,000
Rent and insurance paid	6,000
Equipment at cost	45,000
Provision for depreciation of equipment	16,000
Capital	?

C = A - L

- a) Prepare her trial balance as at 30 April 2013, showing her Capital. **14marks**
- b) Name the account to which a difference on a trial balance may be posted. **1mark**
16. Mugarura, a sole trader, does not keep full accounting records but supplied the following information about his business.

	1 April 2012	31 March 2013
	RWF	RWF
Fixed assets	5,000,000	7,500,000
Current assets	2,000,000	3,000,000
Current liabilities	1,500,000	2,000,000

A = C + L

- a) Prepare a Balance Sheet for Mugarura as at 1 April 2012. **4marks**

1250000
1380000

You have the following additional information.

- i) Mugarura's drawings for the year ended 31 March 2013 were RWF 1,000,000.
- ii) Fixed assets at 31 March 2013 are to be depreciated by 20%.

b) Prepare a Balance Sheet for Mugarura as at 31 March 2013, showing his profit or loss for the year ended on that date. **9marks**

c) Explain how Mugarura observes the accounting principle of prudence by providing for the depreciation of his fixed assets. **2marks**

17. The following balances were extracted from the Income statement of XYZ Enterprises for the year ended 30 April 2010 and their Balance Sheet at that date.

	000RWF
Sales	240 960
Inventory at 1 May 2009	13 500
Purchases	195 870
Stock at 30 April 2010	15 100
Gross profit	60 190
Profit for the year	32 256
Trade payables (Creditors)	11 460
Bank Overdraft	8 260
Capital at 1 May 2009	200 000
Long-term loan (11%)	60 000
Drawings	18 600
Fixed Assets	271 840
Total Current assets	24 886
Trade Receivables (Debtors)	8 800
Cash	990
Total Current Liabilities	23 070

a) Calculate the Current ratio, the Liquid ratio and any other two ratios. **8marks**

b) State two reasons for calculating ratios. **2marks**

c) State five user groups who might be interested in or make use of ratios. **5marks**

18. Ali Mayabo owns a general store. His Trading and Profit and Loss Account for the year ended 31 March 2013 is shown below. Some words and figures are missing. In each of the blanks (i) to (vi) enter the missing word(s) or figure.

Ali Mayabo

Trading and Profit and Loss Account for the year ended 31 March 2013

	RWF	RWF	RWF
Sales			200,000
Less Cost of goods sold			
Opening stock		(i) _____	
Purchases	120,000		
Less (ii) <u>Closing</u>	<u>2,000</u>	118,000	
		130,000	
Less (iii) _____		<u>10,000</u>	<u>120,000</u>
Gross Profit			80,000
Add Rent received			(iv) _____
Discount (v) _____			3,000
			88,000
Less Wages		12,000	
Insurance		3,000	
General expenses		28,000	
Depreciation		(vi) _____	<u>58,000</u>
Net Profit			30,000

Net profit = Gross profit - other expenses

6marks

- a) Calculate Ali's net profit as a percentage of his sales for the year. Show your workings.

2marks

On 31 March 2013 Ali's capital was RWF 200,000. He also had a long-term loan from his bank of RWF 50,000.

- b) Calculate Ali's net profit as a percentage of the capital employed in his business. Show your workings.

3marks

- c) Give two reasons why it is important for Ali to know his net profit as a percentage of the capital employed.

4marks

19. a) Explain what you understand by taxable income and tax rate for individuals and corporate bodies in Rwanda.

6marks

- b) Identify three types of withholding tax.

3marks

- c) Who is liable to pay consumption tax and how is it calculated?

4marks

- d) Who is required by law to register for value added tax?

2marks

All items
 ending and profit and loss account for the year ending 31 March 2013

	2012	2013
Net Profit	100,000	100,000
Depreciation	10,000	10,000
General expenses	5,000	5,000
Interest	2,000	2,000
Less wages	10,000	10,000
Provision for	10,000	10,000
Add profit retained	10,000	10,000
Gross Profit	100,000	100,000
Less cost of goods sold	100,000	100,000
Net Profit	100,000	100,000

At Calculate Ali's net profit as a percentage of his sales for the year. Show your workings.

On 31 March 2013 Ali's capital was RWF 300,000. He also had a long-term loan from his bank of RWF 50,000.

b) Calculate Ali's net profit as a percentage of the capital employed in the business. Show your workings.

Give two reasons why it is important for a business to know its profit as a percentage of the capital employed.

Explain why a business should know its profit as a percentage of the capital employed.

Who is liable to pay corporation tax and how is it calculated?

Who is required by law to register for value added tax?