
**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 1 EXAMINATIONS**

S1.2 PRINCIPLES OF COSTING

MONDAY: 02 DECEMBER 2019

INSTRUCTIONS:

1. Time allowed: **2 hours**
2. This examination has **one** section only: **Section A**
3. Section A has **50 compulsory** multiple choice questions equal to 2 marks each.

1. Which of the following statements is not true?
 - A A partnership is a separate legal entity from its owners
 - B Money taken out of the business by a sole trader is known as drawings
 - C Shareholders of a limited company receive a share of profits known as dividends
 - D A sole trader has one owner who manages the business
 - E None of the above

(2 marks)

2. The following transactions were recorded in November:

5 November Receipt 1,900 units @ RWF11,000 per unit

9 November Receipt 4,200 units @ RWF10,000 per unit

17 November Receipt 1,600 units @ RWF12,000 per unit

20 November Issue 3,100 units

If each unit issued on 20 November sells for RWF25,000 what is the profit made using the last in, first out (LIFO) method?

 - A RWF32,900,000
 - B RWF34,200,000
 - C RWF43,300,000
 - D RWF44,600,000
 - E None of the above

(2 marks)

3. Which of the following transactions will appear in the statement of financial position?
 - A Purchase of photocopier paper
 - B Income received from the sale of goods and services
 - C Payment of electricity expenses
 - D Purchase of a delivery van for use in the business
 - E None of the above

(2 marks)

4. Rose is paid using a differential piecework payment scheme with a guaranteed minimum wage of RWF3,900 per day. The differential rates for output each day are:

Up to 100 units	RWF45 per unit
Excess over 100 units	RWF50 per unit

Rose produced the following over a three-day period:

Wednesday	85 units
Thursday	115 units
Friday	120 units

What is Rose's total wage for the three days?

 - A RWF14,575
 - B RWF14,650
 - C RWF15,575
 - D RWF15,650
 - E None of the above

(2 marks)

5. Which of the following are purposes of management accounting?
 - (i) To obey the law by providing management accounts
 - (ii) To help the business decision making process
 - (iii) To provide a future planning tool for the business

(iv) To identify the cost of manufacturing products for re-sale

- A (ii) and (iv) only
- B (i) and (iii) only
- C (ii), (iii) and (iv) only
- D (i), (ii), (iii) and (iv)
- E None of the above

(2 marks)

6. Which of the following is correct?

- A Direct materials + direct labour + direct expenses = overheads
- B Indirect materials + direct materials = overheads
- C Indirect materials + indirect labour + indirect expenses = overheads
- D Indirect expenses + direct expenses = overheads
- E None of the above

(2 marks)

7. A company that makes tables and chairs uses a four-digit code system for its material purchases. The first two digits identify the cost centre and the last two identify whether the materials are direct or indirect materials.

Cost centre	Code	Materials	Code
Production	PD	Direct materials	10
		Indirect materials	20
Assembly	AM		
Finishing	FN		

Which of the following statements are correct?

- (i) PD10 is the correct code for oil used for the machines in the production department
- (ii) PD20 is the correct code for oil used for the machines in the production department
- (iii) FN10 is the correct code for polish used in the finishing of products
- (iv) FN20 is the correct code for polish used in the finishing of products

- A (i) and (iii)
- B (ii) and (iii)
- C (i) and (iv)
- D (ii) and (iv)
- E None of the above

(2 marks)

8. Bella runs a shop selling flowers (purchases from a grower) and her own hand made gifts.

Which two of the following are direct costs for Bella's business?

- (i) Shop rental fee
- (ii) Water costs
- (iii) Costs of flowers
- (iv) Bella's wages

- A (i) and (ii)
- B (ii) and (iii)
- C (iii) and (iv)
- D (i) and (iv)
- E None of the above

(2 marks)

9. Which of the following costs is a fixed cost?
- A A cost that remains the same in total regardless of the level of production
 - B A cost that varies in total in direct proportion to the level of production
 - C A cost that includes an element that remains the same in total and an element that varies in proportion to the level of production
 - D A cost that remains the same per unit regardless of the level of production
 - E None of the above (2 marks)
10. An employee is contracted to work 35 hours per week and is paid RWF6,000 per hour. Last week the employee worked 41 hours. Hours worked in excess of 35 during a week are paid at time and a third.
- What is the employee's gross pay for the week?
- A RWF222,000
 - B RWF246,000
 - C RWF258,000
 - D RWF328,000
 - E None of the above (2 marks)
11. A business prepared a budget for January as follows:
- | | |
|-----------|-----------------------------------|
| Revenue | 10,000 units @ RWF10,000 per unit |
| Materials | 1,700 kg @ RWF850 per kg |
| Labour | 6,200 hours @ RWF5,000 per hour |
| Overheads | RWF1,220,000 |
- The actual costs in January were RWF30,500,000 and the actual revenue was RWF90,000,000.
- What was the total cost variance in January?
- A RWF3,165,000 favourable
 - B RWF1,945,000 favourable
 - C RWF3,165,000 adverse
 - D RWF1,945,000 adverse
 - E None of the above (2 marks)
12. Uwase Supplies has budgeted to produce 10,000 units with the following costs:
- | | |
|---------------|-----------------|
| Variable cost | RWF300 per unit |
| Fixed costs | RWF90 per unit |
- What are the total budgeted costs for 15,000 units?
- A RWF3,900,000
 - B RWF4,350,000
 - C RWF5,400,000
 - D RWF5,850,000
 - E None of the above (2 marks)
13. Which of following is classed as indirect expenses?
- A Wages of stores personnel

- B Paper used by a book publisher
- C Glass used in the manufacture of windows
- D Rent of a factory
- E None of the above

(2 marks)

14. The following data relates to two output levels of a department:

Machine hours	15,000	20,000
Overheads	RWF85,000,000	RWF110,000,000

What is the best estimate of the overhead costs at a level of 18,000 machine hours?

- A RWF90,000,000
- B RWF10,000,000
- C RWF100,000,000
- D RWF110,000,000
- E None of the above

(2 marks)

The following information relates to questions 15, 16 and 17

The following report regarding budgeted and actual costs has been drafted for August but some of the figures are missing. Variances are considered to be significant if they are adverse and exceed 3% or if they are favourable and exceed 5%.

Cost type	Budget RWF'000	Actual RWF'000	Variance RWF'000
Revenue	620,200	663,614	?
Materials	14,470	?	5,880 A
Labour	51,560	52,340	?
Production overheads	41,950	?	3,400 A
Administration overheads	23,160	24,660	?

15. What was the actual production overheads cost for August?

- A RWF24,660,000
- B RWF38,550,000
- C RWF41,950,000
- D RWF45,350,000
- E None of the above

(2 marks)

16. Which of the following statements is true?

- A The materials variance is insignificant
- B The revenue variance, if significant, should be reported to the production manager
- C The labour variance is significant
- D The administration overhead variance is RWF1,500,000 favourable
- E None of the above

(2 marks)

17. Which of the following statements is/are true?

- (i) The revenue variance is significant
- (ii) The labour variance is RWF780,000 favourable
- (iii) The materials variance had the greatest effect on profit

- A (i) only
- B (i) and (ii) only
- C (ii) and (iii) only

- D (iii) only
- E None of the above

(2 marks)

18. A business has recorded the following telephone costs:

Month	Number of phone calls	Cost RWF'000
January	350	1,425
February	410	1,869
March	320	1,625
April	450	2,275
May	380	2,116

Using the high low method, what are the fixed and variable elements of the telephone costs?

- A Variable cost per call: RWF5,000 Fixed cost: RWF25,000
- B Variable cost per call: RWF2,711 Fixed cost: RWF757,490
- C Variable cost per call: RWF8,500 Fixed cost: RWF1,550,000
- D Variable cost per call: RWF7,400 Fixed cost: RWF1,165,000
- E None of the above

(2 marks)

19. Inventory can be classified as raw materials, work-in-progress and finished goods.

Which of the following are finished goods?

- A Glass waiting to be made into drinking glasses
- B Bags waiting to have handles sewn on
- C Sweet potatoes in crates ready for sale
- D Chairs waiting to be painted
- E None of the above

(2 marks)

20. The following data has been collected for costs W, X, Y and Z.

Cost	Costs for 200 units RWF'000	Costs for 500 units RWF'000
W	4,000	10,000
X	5,000	5,000
Y	8,000	11,000
Z	7,000	17,500

Which of the costs is a semi-variable cost?

- A Cost W
- B Cost X
- C Cost Y
- D Cost Z
- E None of the above

(2 marks)

The following information relates to questions 21, 22 and 23

The following transactions were recorded in December:

5 December Receipt 2,000 units @ RWF10,000 per unit

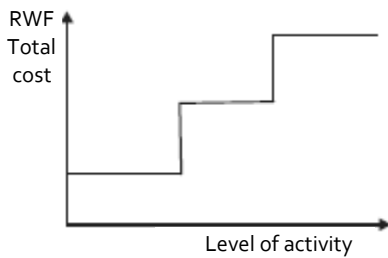
9 December Receipt 4,000 units @ RWF11,000 per unit

17 December Receipt 1,200 units @ RWF12,000 per unit

24 December Issue 3,200 units

21. What is the value of the issue on 24 December using the last in, first out (LIFO) method?
- A RWF33,200,000
 - B RWF42,000,000
 - C RWF36,400,000
 - D RWF34,844,800
 - E None of the above
- (2 marks)**
22. What is the value of the closing inventory on 24 December using the first in, first out (FIFO) method?
- A RWF45,200,000
 - B RWF42,000,000
 - C RWF43,555,200
 - D RWF33,200,000
 - E None of the above
- (2 marks)**
23. What is the value of the closing inventory on 24 December using the average cost method (AVCO)?
- A RWF34,844,800
 - B RWF45,200,000
 - C RWF43,555,200
 - D RWF42,000,000
 - E None of the above
- (2 marks)**
24. A business makes wooden furniture and has production cost centres, service cost centres and profit centres.
- Which of the following is a production cost centre?
- A Stores
 - B Warehouse
 - C Maintenance
 - D Retail shop
 - E None of the above
- (2 marks)**
25. Which of the following transaction definitions is correct?
- A Capital transactions are where payment is to be made at some point in the future
 - B Revenue transactions are where payment is immediate
 - C Cash transactions are the day to day income and expenses associated with running a business
 - D Credit transactions are purchases of assets for long term use in the business
 - E None of the above
- (2 marks)**

26. Which of the following costs would be most likely to be illustrated by the diagram given below?



- A Total warehouse rental costs when a new warehouse is needed for every 10,000 units
- B Total raw material costs for the year
- C Total photocopier costs with a fixed cost element and a variable cost element
- D Total annual insurance cost
- E None of the above

(2 marks)

27. Which of following statements is not true?

- A A service organisation purchases ready made goods for resale to its customers
- B A manufacturing business purchases raw materials which it then uses to produce goods to be sold to its customers
- C A retail organisation buys finished goods made by a manufacturer to sell to customers
- D An agricultural business grows the goods it sells
- E None of the above

(2 marks)

28. An employee is contracted to work a 40 hour week and is paid RWF6,500 per hour. Last week the employee worked 52 hours. Hours worked in excess of 40 during a week are paid at time and a half.

In addition, the company operates a group bonus scheme based on productivity. There are eight employees in the group who each receive an equal share of the weekly bonus.

Last week the total group bonus was RWF600,000.

What is the employee's gross pay for the week?

- A RWF374,000
- B RWF377,000
- C RWF413,000
- D RWF452,000
- E None of the above

(2 marks)

29. A bakery produces bread and cakes. The costs for December were:

Wages for bakers	RWF120 million
Flour for bread	RWF30 million
Sugar for cakes	RWF25 million
Rent for kitchen	RWF90 million
Oven maintenance	RWF10 million

What was the total overhead cost for December?

- A RWF90 million
- B RWF100 million
- C RWF220 million
- D RWF275 million
- E None of the above

(2 marks)

30. A business classifies its costs by function.

How much of the following costs would be classified as administration costs?

Accounting costs	RWF40 million
Delivery costs to customers	RWF35 million
Fees for arranging a loan	RWF20 million
Materials used in making products	RWF100 million
Sales staff salaries	RWF80 million

- A RWF40 million
- B RWF60 million
- C RWF75 million
- D RWF275 million
- E None of the above

(2 marks)

31. A catering company supplies meals to three different airlines. It uses a five-digit code system in the format */**/*. The code indicates whether the meal is hot or cold, then the type of meal and finally the airline purchasing the meals. The current codes in use are as follows:

Nature of meal	Code	Type	Code	Airline	Code
Hot	H	Chicken	CH	Fly Away	01
Cold	C	Beef	BF	Reach	02
		Pork	PK	Take Off	03
		Vegetarian	VG		

Which of the following statements is correct?

- A H/VG/03 is the correct code for hot beef meals supplied to Take Off airlines
- B H/CH/02 is the correct code for cold chicken meals supplied to Reach airlines
- C C/VG/02 is the correct code for cold vegetarian meals supplied to Fly Away airlines
- D H/PK/01 is the correct code for hot pork meals supplied to Reach airlines
- E None of the above

(2 marks)

32. Employees work a standard 40 hour week at a rate of RWF7,500 per hour. Any hours worked in excess of 40 hours in the week are paid at time and a third. During Week 3, an employee received a gross wage of RWF325,000.

How many hours of overtime did the employee work in Week 3?

- A 2.22 hours
- B 2.50 hours
- C 3.33 hours
- D 10.00 hours
- E None of the above

(2 marks)

33. Classifying costs into materials, labour or expenses is known as which of the following?

- A Classification by function
- B Classification by nature
- C Two-way classification
- D Classification by element
- E None of the above

(2 marks)

34. A car repair business classifies its costs by function. Which of the following costs would be classed as a production cost?
- A Depreciation of a computer used in reception
 - B Advertising in a local magazine
 - C Machine lubricants and spare parts
 - D Accountancy fees
 - E None of the above
- (2 marks)**
35. Which of the following is an external source of management information?
- A Inventory lists
 - B Personnel records
 - C Labour capacity
 - D Time spent on jobs
 - E None of the above
- (2 marks)**
36. Which of the following would be classed as indirect labour?
- A Machine operators in a clothing factory
 - B Fruit pickers on a fruit farm
 - C Authors of children's books
 - D Assembly workers in a car plant
 - E None of the above
- (2 marks)**
37. Kamanzi Services had a significant expenses variance in June. Which manager should this be reported to?
- A Sales manager
 - B Human resources manager
 - C Production manager
 - D Administration manager
 - E None of the above
- (2 marks)**
38. Thomas is paid on a piecework basis as follows:
- Up to 50 units per day: RWF100 per unit
 51 – 100 units per day: RWF120 per unit
 101+ units per day: RWF150 per unit
- Only the additional units qualify for the higher rate and rejected units do not qualify for payment.
- Last week Thomas produced the following units:
- | | Units made | Units rejected |
|-----------|------------|----------------|
| Monday | 0 | 0 |
| Tuesday | 110 | 10 |
| Wednesday | 125 | 5 |
| Thursday | 100 | 0 |
| Friday | 130 | 0 |

What is Thomas's gross pay for the week?

- A RWF51,500
- B RWF53,750
- C RWF61,500
- D RWF66,750
- E None of the above

(2 marks)

39. Which of the following statements about coding is/are true?

- (i) In a good coding system, each item has a unique code
- (ii) In a good coding system, codes are uniform in structure
- (iii) Only costs need to be coded

- A (i) and (ii) only
- B (i) only
- C (ii) only
- D (i), (ii) and (iii)
- E None of the above

(2 marks)

40. A spreadsheet extract of budgeted and actual data for July is shown below. The business considers any variances over 4% to be significant.

	A	B	C
1	Income/Expenditure	Budget RWF'000	Actual RWF'000
2	Income	688,000	701,760
3	Material	40,700	42,735
4	Labour	50,200	52,459
5	Expenses	22,000	22,330

Which variances would be considered to be significant?

- A Material only
- B Material and labour only
- C Labour only
- D Income and labour only
- E None of the above

(2 marks)

41. A business has opening inventory at the start of the month of:

800 units @ RWF400 per unit

The only receipt was a week later:

200 units @ RWF470 per unit on the last day of the month, 700 units are issued.

Using the average cost method (AVCO), what is the value of the issue?

- A RWF289,800
- B RWF280,000
- C RWF294,000
- D RWF124,200
- E None of the above

(2 marks)

42. An employer employs 10 workers who are paid a basic hourly rate for a standard 37 hour week. Each employee takes 30 minutes to produce a unit but 10% of units made are faulty.

How many good units should the employees produce in 2 weeks?

- A 333 units
- B 666 units
- C 1,332 units
- D 1,480 units
- E None of the above

(2 marks)

43. Mukamusinga Services currently uses the first in, first out (FIFO) method of inventory valuation. The following information is available for March:

	Opening inventory	400 units valued at RWF250 each
3 March	Receipts	220 units for RWF300 per unit
22 March	Issues	450 units
28 March	Issues	100 units

If Mukamusinga changed from the FIFO to last in, first out (LIFO) method of inventory valuation, how would the profits be affected?

- A Profits would increase by RWF3,500
- B Profits would increase by RWF8,500
- C Profits would decrease by RWF8,500
- D Profits would decrease by RWF3,500
- E None of the above

(2 marks)

44. Which of the following would be classed as direct labour?

- A Wages of stores personnel in a car manufacturing plant
- B Wages of supervisors in a fruit packing business
- C Wages of machine maintenance personnel in a clothing factory
- D Wages of a chef in a restaurant
- E None of the above

(2 marks)

45. Maniraho is a manufacturing organisation that makes computer components. It has 75 employees who are paid a basic hourly rate of RWF700 for a standard 35-hour week with any overtime hours being paid at a rate of time and a half.

Last week, each employee worked two hours of overtime and produced a total of 3,325 components.

What was the unit labour cost per component last week?

- A RWF600
- B RWF553
- C RWF568
- D RWF584
- E None of the above

(2 marks)

46. Manzi Ltd reported a favourable material variance of RWF600,000 in August. This was calculated as 5% of budget.

What was the actual cost of material in August?

- A RWF1,170,000
- B RWF11,400,000
- C RWF12,000,000
- D RWF12,600,000
- E None of the above

(2 marks)

47. A business employs 10 direct workers at its factory and they all work a standard 35 hour week at RWF600 per hour. Any hours in excess of 35 are paid at double time. Last week, overtime was worked at the request of a client. All 10 direct staff worked a 40 hour week.

What amount would be charged as a direct labour cost?

- A RWF210,000
- B RWF240,000
- C RWF270,000
- D RWF300,000
- E None of the above

(2 marks)

48. Inventory can be classed as raw material, work in progress and finished goods.

A business that publishes leaflets has the following inventory at the end of the month:

	RWF'000
Paper for leaflets	120,000
Ink for printing leaflets	50,000
Boxed leaflets for despatch	350,000
Leaflets containing drawings, awaiting final wording	250,000

What is the value of raw materials?

- A RWF50,000
- B RWF120,000
- C RWF170,000
- D RWF420,000
- E None of the above

(2 marks)

49. A business had the following budgeted and actual results for the month:

Cost type	Budget RWF'000	Actual RWF'000
Revenue	300,000	320,000
Materials	50,000	49,000
Labour	65,000	67,000
Production overheads	120,000	125,000

What is the profit variance for the month?

- A RWF14,000,000 Favourable
- B RWF14,000,000 Adverse
- C RWF28,000,000 Favourable
- D RWF28,000,000 Adverse
- E None of the above

(2 marks)

50. A business produces calendars and diaries.

Which of the following would be classed as a prime cost?

- A Cost of transporting paper from the paper supplier's premises
- B Wages of machine maintenance factory workers
- C Sales person's wages
- D Rent, rates and insurance of the factory
- E None of the above

(2 marks)

Total (100 marks)

