

CERTIFIED ACCOUNTING TECHNICIAN

STAGE 3 EXAMINATIONS

S3.2: MANAGEMENT ACCOUNTING

DATE: THURSDAY, 28 JULY 2022

MARKING GUIDE AND MODEL ANSWERS

.2 CPARJULY2022ICPARJULY2022ICPARJULY2022 ICPARJULY2022ICPARJULY2022ICPAPage 1 of

SECTION A

Marking Guide	Marks
Marks for each correct answer 221GPARHII Y 2022 ICPARHII Y 202	PARJULY2022IC $_{ m ARJ}(2_{ m Y2022IC})$
Total Marks for this section	PARJULY 2022 IC PARJU <mark>20</mark> 2022 IC

Questions y20221CPARIULY20221CPARIUI	Answers Grid 21CPARJU1Y20221CPARJU1Y20221CPA
21221CPARJULY20221CPARJULY20221CPARJUI	$\mathcal{M}_{\mathbf{D}^2}^2$ ICPARJULY2022 ICPARJULY2022 ICPARJULY2022 ICPA
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3221CPARJULY20221CPARJULY20221CPARJUL	.Y2(C2 ICPARJULY2022 ICPARJULY2022 ICPARJULY2022 ICPA
² 4 ²² ICPARJULY2022ICPARJULY2022ICPARJUI	Y ¹ C ² ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPA
5)21CPARIULY 20221CPARIULY 20221CPARIUI 5)21CPARIULY 20221CPARIULY 20221CPARIUI	37 1022 TCPARTUET 2022 TCPARTUET 2022 TCPARTUET 2022 TCPA 37 1 <mark>B</mark>
622ICPARJULY2022ICPARJULY2022ICPARJUI	Y1(B2 ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPA
7221CPARJULY20221CPARJULY20221CPARJUL	B ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPA
8221CPARJUTY20221CPARJUTY20221CPARJUT	. УП С) ICPAR II II У2022 ICPAR II II У2022 ICPAR II II У2022 ICPA
9221CPARJULY20221CPARJULY20221CPARJUL	$\mathcal{Y}^2(\mathbf{D}^2)$ ICPARJULY20221CPARJULY20221CPARJULY20221CPA
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Model answers

QUESTION ONE

The Correct answer is **D**

A, B and C are not correct because of the following

- (i) Data on Governments' websites are secondary data
- (ii) An organization can in some cases rely on secondary data
- (iii) All externally obtained data are not primary data WY202210
- (iv) Both qualitative and quantitative data either be collected as primary or secondary data

OUESTION TWO

The Correct answer is **D**

A Is not correct answer because under investment centres, managers can be held accountable for controllable costs

B Is not correct because non-controllable costs are not a direct responsibility of managers under cost centres

C Is not correct because the cost centre manager should not be held accountable for the sudden increase in cost of power independently allocated to different cost centres by the group chief finance officer.

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QUESTION THREE

The Correct answer is C

A, B and D are not correct as they are relating to characteristic of effective coding system

OUESTION FOUR

The Correct answer is C

A, B and D are not correct because of the following computation that support answer C

Particular	J nits
sales Units y20221CPARJUTY20221CPARJUTY20221CPARJUTY20221CPARJUTY20221	20,000
Add: Closing inventory of finished units 2022 ICPARJULY2022 ICPARJULY2022 I	CPARJU 4,000 IO
Less: Opening inventory of finished units: 5,000	(5,000)
Planned Production RIUIY2022 ICPARJULY2022 ICPARJULY2022 ICPARJULY2022	19,000
Particular Y2022ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2022I	CPARJ \mathbf{Kgs} 02210
Planned Production	19,000
Unit cost	CPARJUTY2 *6
Materials required for production JULY2022 ICPARJULY2022ICPARJULY2022I	CPAR 114,000 I
Computation of Budgeted material purchase	
Particular y 2022 i CPARJULY 2	Kgs 2022
Materials required for production PARJULY2022 ICPARJULY2022 ICPARJULY2022I	CPAR114,000
Closing inventory of materials (CPARJULY2022 ICPARJULY2022 ICPARJULY2022)	70,000 T
Opening inventory of materials	(60,000)
Budgeted material purchase acparatily 2022 ICPARTULY 2022 ICPARTUL	124,000

OUESTION FIVE

The Correct answer is **B**.

A, C and D are not correct because of below workings that support answer B

Standard hour in hours = 10/60=0.167

Payment = $0.167 \times 130 \times FRW = 13.000 = FRW282.230$

OUESTION SIX

The Correct answer is B

A, C and D are not correct because of the following

- C. Both the Public and the Private sector can use the 3Es approach while assessing the concerned entity's performance over a period approach and the Private sector can use the 3Es approach while assessing the
- D. Both the Public and the Private sector are influenced by the legal and political environments

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QUESTION SEVEN

The Correct answer is B

A, C and D are not correct because of below computation that support answer B

Sales volume variance = (Budgeted sales units – Actual sales units) x Standard profit per unit = FRW 80.000 adverse

Standard profit on actual sales = (Actual sales units x Standard profit per unit) = FRW 830,000

Fixed budget profit = 830,000 + 80,000 = FRW 910,000

QUESTION EIGHT

The Correct answer is C

A, B and **D** are not correct because of the following

- **A.** There is no need for prevention since the transactions are executed in accordance with proper authorization
- **B.** There is no need for prevention since access to assets is permitted only in accordance with proper authorization

OUESTION NINE

The Correct answer is **D**

A, B and C are not correct because of the following

- **A.** This is correct Budgets' assumptions may need to be re-visited when assessing performance against a flexed budget.
- **B.** This is correct A limiting factor arises in the context of decision making in a business. It is a resource that is in short supply such that it restricts the ability of the organisation to provide and sell more of its products or services.
- C. This is correct Productivity is the measure of how hard the employees are working or how productive they are being in their hours at work.

QUESTION 10

The Correct answer is **D**

A, B and C are not correct because of the following

- (i) It is correct that if inventory levels are rising, absorption costing will give lower profits
- (ii) It is correct that if inventory levels are falling, absorption costing will give a higher profit figure
- (iii) It is correct that where inventory levels are constant, provided that unit costs are constant, absorption costing and marginal costing will give the same level of profit

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SECTION B

QUESTION 11

Marking Guide

$_{2}$ 0221CPARJULY20221CPARJULY20221CPARJULY20221CPARJULY20221CPARJULY20221CPARJULY $_{2}$	Marks
(a) ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2	
Number of units at 45% ULY2022ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPAR	022ICI[A]
Variable production cost per unit PARJULY2022 ICPARJULY2022 ICPARJULY202	.022 ICPA
Fixed costs	0221CPA
60% capacity	0221CPA
Total production costs at 60% production capacity	0221CFA
2022 ICPARJULY 2021 ICPARJULY 2022 I	
(i) Maximum 3 marks for a well explained difference and 1.5 marks awarded for one side and other awarded 1.5 marks. Do not exceed 3 marks on this question (Hint: Marker should analyse the valid points given by students and award marks accordingly)	0221CPA1 0221CPA1 0221CPA1 0221CPA1
(ii) 1 mark for one advantage and 1 mark for one disadvantage and Marker has a room for analysing valid point given by students and award marks but do not exceed	0221CPA
2 marks on this question. Total	022 10

Model Answer

a) Number of units at 45% = 1,200 x 45% = 540 Units

Variable production cost per unit = (26,000 - 12,000)/(1,200 - 540) = 14,000/660FRW = FRW 21.21 million

Fixed costs = 12,000 m - (540 x 21.21 m) = FRW 546.6 million

60% capacity = 1,200 X 60% = 720 units.

Total production costs at 60% production capacity = FRW 546.6 m + (720 x 21.21m) = FRW 15,817.8 million

- b) The answer is detailed as per roman numbers.
- i) The difference between absorption costing and marginal costing is explained here below:
- ✓ Marginal costing is a method where the variable costs are considered as the product costs and the fixed costs are considered as the costs of the period. Whereas Absorption costing is a method that considers both fixed costs and variable costs as products costs
- ✓ Under Absorption costing, the fixed production overheads are absorbed into the cost of a product unit and therefore included as part of cost of sales and in the valuation of closing inventory. Variable costs on the other hand all fixed costs are treated as period costs and are written off in the statement of profit and loss in the period in which they are incurred and only

S3.2 CPARJULY2022ICPARJULY2022ICPARJULY2022 ICPARJULY2022ICPARJULY2022ICPARJULY2022ICP Page 5 of 13

variable overheads are included in the cost of unit.

ii) The Advantages of marginal costing system and absorption costing is detailed here below:

Advantages of marginal costing system

- ✓ It provides more useful information for decision-making as it requires separation of variable and fixed costs.
- It removes the effect of inventory changes on profit giving a more logical, constant picture of operations.

Disadvantages for absorption costing system

- ✓ It does not require separation of variable and fixed costs and consequently is not as useful as marginal costing in decision making situations where relevant costs must be highlighted.
- ✓ If inventory levels fluctuate significantly, profit may be distorted as changes in inventory will affect the amount of fixed manufacturing overheads allocated to an accounting period.

OUESTION 12

Marking Guide

a) 0.5 Marks for each of the 7 steps involved 5 objectives of a budgetary planning and control system, 0.5 marks for each (Hint: Marker has a room to validate the points given by students and award marks accordingly not exceeding the marks allocated to each point and whole question)	Marks 3.5 2.5
b) Zero-base budgeting, \mathbf{z}_{0000}	Y2022ICP Y 2 022ICP
Incremental budgeting JULY20221CPARJULY20221CPARJULY20221CPARJULY20221CPARJUL	Y2022ICP
Bottom-up budgeting RJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPARJUL	Y20221CP
Top-down budgeting RIULY2022ICPARIULY2022ICPARIULY2022ICPARIULY2022ICPARIULY	Y40221CP
(Hint: Marker has a room to validate the points given by students and award marks accordingly not exceeding the marks allocated to each point and whole question)	
20221CPARJULY20221CPARJULY20221CPARJULY20221CPARJULY20221CPARJULY20221CPARJUL Total arjuly20221CPARJULY20221CPARJULY20221CPARJULY20221CPARJULY20221CPARJUL	Y2022ICP Y 10 2ICP

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Model Answers

a) Answer is described here below:

The steps involved in planning & control cycle are the following

- 1) Identify objectives
- 2) Identify potential strategies
- 3) Evaluate strategies WW20221CPARI
- 4) Choose alternative courses of action
- 5) Implement the long-term plan
- 6) Measure actual results and compare with plan
- 7) Respond to divergences from plan

5 Objectives of a budgetary planning and control system are the following:

- 1) To compel planning
- 2) To communicate ideas and plans
- 3) To co-ordinate activities
- 4) To establish a system control
- 5) To motivate employees to improve their performance
- 6) To provide a framework for responsibility accounting

b) Short notes of the following:

- (i) **Incremental budgeting** is a budgeting process that starts with the budget from the previous period and adds or subtracts an incremental amount to cover inflation and other known expenses. It is suitable for stable businesses, where costs are not expected to change significantly and where there is good cost control and limited discretionary expenses.
- (ii) **Under zero-based budgeting**, all budgets start at zero and activities/costs are only allowed if they are justified under investigation. All requests for resources must be presented and they are evaluated on the basis of cost-benefit.
- (iii) **Top-down budgeting** is a method of setting budgets where the senior management are solely responsible for the setting of the budgets and they are then imposed upon managers who are responsible for meeting the targets.
- (iv) **Under Bottom-up budgeting**; the budgets are prepared by the functional managers based upon their detailed knowledge of the resource and the costs associated with it.

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SECTION C

QUESTION 13

Marking Guide

20221CPARJUL Y20221CPARJUL Y20221CPARJUL Y2022 1CPARJUL Y20221CPARJUL Y20221CPARJUL Y20221CPARJUL Y	Marks
a) 21CPARJULY 2022 ICPARJULY 2022 IC	
i) 21 Break even sales RJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2	022ICI/
Break even units CPARJULY2022 CP	.0221Cl1/
Contribution 2022 ICPARJULY 2022 ICP	.0221CP/
Break even units	.0221CP/
Contribution to sales ratio	0221CF/
Break-even sales	0221CF/
DICAK-CVCII SAICS CPARTULY 2022 ICPARTULY 2022 ICPA	O221CE/
2022 ICPARTOL I 2022 ICPARTOL I 2133 I TRUDILLE I VICA (I INI INI I CANCALLO (A P. II II VIO) I CPAPII II VIO) I CPAPII II VIO) I CPAPII II VI	0221012
ii) Formula of Margin of safety %	0221CI
Computed Margin of safety %	022 ICP/
iii) Revenue to generate target profit Revenue target	.0221CI
Revenue to generate target profit PARHILY2022 ICPARHILY2022 ICPARHILY202 ICPARHILY	022IC 1 /
b)21CPARJULY20221CPARJULY20221CPARJULY20221CPARJULY20221CPARJULY20221CPARJULY2	
Cost effectiveness CPARJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2	.022IC2
Reliability Reliability	022102
Timeliness	0221CP
2 022/10/14/K/J 0LY2022/ICPARJULY2022/ICPARJ	0221CF/
(Hint : Marker has a room to validate the points given by students and award marks	
accordingly not exceeding the marks allocated to each point and whole question)	
c)Maximum 2 marks for each correct answer	0221012
(Hint: Marker has a room to validate the points given by students and award marks accordingly not exceeding the marks allocated to each point and whole question)	022 ICP/ 022 ICP/ 022 ICP/
2022 ICPARJULY 2022 ICPARJULY 2022 ICPARJULY 2022 ICPARJULY 2022 ICPARJULY 2022 ICPARJULY 2 Total ARJULY 2022 ICPARJULY 2022 ICPARJULY 2022 ICPARJULY 2022 ICPARJULY 2022 ICPARJULY 2	022 20

Model Answer

a) i) Break even sales = Total fixed costs/Contribution to sales ratio

Break even units = Total fixed costs/Contribution per unit

Contribution = 600 - 260 = FRW 340

Break even units = 16,000,000/340 = 47,059 Units

Contribution to sales ratio = 340/600 = 0.567

Break-even sales = 16,000,000/0.567 = FRW 28,235,294

Or

Break even sales = Break even units x selling price per unit

Break even units = Total fixed costs/Contribution per unit

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Contribution per unit = 600 - 260 = FRW 340

Break even units = 16,000,000/340 = 47,059 Units

Break even sales = $47,059 \times 600 = FRW 28,235,294$

ii) Margin of safety % = ((Actual or expected sales - break even sales units) / Actual or expected sales) x 100

 $((152,000 - 47,059)/152,000) \times 100 = 69\%$

iii) Revenue to generate target profit = (Total fixed costs + target profit)/ Contribution to sales ratio

Revenue to generate target profit = (16,000,000 + 205,000)/0.567 = FRW 28,597,059

Or

Revenue to generate target profit = ((Total fixed costs + target profit)/ Contribution per unit) X selling price per unit = ((16,000,000 + 205,000)/ 340) \times 600 = FRW 28,597,059

- b) 3 objectives of an effective accounting system
- ✓ Cost effectiveness: Ensuring that something is of good value
- ✓ Reliability: Ensuring a process or system performs consistently well
- ✓ **Timeliness:** The system should provide information at the required **time**
- c) Fraud matrix can help GumaMuRugo (G) Ltd in the following ways:
- ✓ The fraud matrix can help to investigate potential fraud within the system
- ✓ Fraud matrix helps to analyse the controls in place to prevent fraud
- Helps also to grade the potential for fraud according to risk

QUESTION 14

Marking Guide

r 2022 i CPARTULY 2022 i CPART
720221CPARJULY202
Annual maintenance fees, 0.5 Mark for each, maximum 2 marks UULY2022ICPARULY2022IC 2
Cash inflow, 0.5 Mark for each, maximum 2 marks [UIY2022ICPARIUIY202ICPARIUIY2022ICPARIUIY202ICPARIUIY202ICPARIUIY202ICPARIUIY202ICPARIUIY2022ICPARIUIY201CPARIUIY201CPARIUIY201CPARIUIY201CPARIUIY201CPARIUIY201CPARIUIY201CPARIUIY201CPARIU
Totals before PV, 0.5 Mark for each, maximum 2.5 marks 2.5
Discount factors, 0.5 Mark for each, maximum 2.5 marks
Computed PV values, 0.5 Mark for each, maximum 2.5 marks 2.5
$Computed \ NPV \ 21 CPARJULY 2022 ICPARJULY 2022 $
Recommendation CPARJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2022ICIA
b) Advantages (3 Marks - 1 mark for each correct point)
Disadvantages (3 Marks - 1 mark for each correct point)
y20221CPARJULY20221CPARJULY20221CPARJULY20221CPARJULY20221CPARJULY20221CPARJULY20221 20 0 y2 Total arjuly20221CPARJULY20221CPARJULY20221CPARJULY20221CPARJULY20221CPARJULY20221CPA

(Hint: Marker has a room to validate the points given by students on advantages and disadvantages and award marks accordingly not exceeding the marks allocated to each point and whole question)

Model Answer

a) The feasibility of Kayinamura investment is done using Net present Value (NPV) as per below Computation of net present value.

Year	0 ²⁰²² ICPARJU	JLY2022 ICPARJU	2 2022 ICPARJ	3 Y2022ICPAR	J4LY2022ICPA
Initial investment	II V2022 ICPARJU	(40,000,000)	EY 2022 ICPARJ I V2022 ICPA D I	III V2022ICPAR	H II V2022 I CP/
Annual maintenance fees	(500,900)	(500,900)	(500,900)	(500,900)	JULY2022ICP/
Cash inflow Y2022ICPARII	LY2022ICPARJU	9,800,500	10,094,515	10,397,350	10,709,271
Total PARJULY2022 ICPARJU	(500,900)	(30,700,400)	9,593,615	9,896,450	10,709,271
Discount Factor	I V2022 ICPARJU	0.917	0.84	0.772	0.708
PV ICPARJULY2022ICPARJU	(500,900)	(28,152,267)	8,077,824	7,640,060	7,582,164
NPV:PARJULY2022ICPARJU	(5,353,119)	JLY2022 ICPARJU	LY2022ICPARJ	JLY2022ICPAR	JULY2022ICPA

✓ The project has a negative NPV and Kayinamura should not undertake the project or he can reject the project

B. 3 advantages and 3 disadvantages of the net present value method are listed below

Advantages

- ✓ Shareholder wealth is maximized
- ✓ It takes into account the time value of money
- ✓ It is based on cashflows which are less subjective that profit
- ✓ Shareholders will benefit if a project with a positive NPV is accepted

Disadvantages

- ✓ It can be difficult to identify an appropriate discount rate
- ✓ Some managers are unfamiliar with the concept of NPV
- ✓ For simplicity, cash flows are sometimes all assumed to occur at year ends: this assumption may be unrealistic.

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QUESTION 15 221CPARJULY20221CPA

Marking Guide 221CPARJULY20221C

	Marks
a) 1 CPARIULY 2022 ICPARIULY 2022 ICPARIULY 2022 ICPARIULY 2022 ICPARIULY 2022 ICPARIULY 2022 ICPARIUL	
Quantity of raw material per unit PARJULY2022 ICPARJULY2022 ICPARJULY202	Y2022 0.5
Cost of 1kg of raw materials 0221CPARJULY20221CPARJULY20221CPARJULY20221CPARJUL	Y2022 0.5
Cost of direct materials per unit CPARJULY2022 ICPARJULY2022 ICPARJULY202 ICPARJULY202 ICPARJULY2022 ICPARJULY202 ICPARJULY202 ICPARJULY202 ICPARJULY202 ICPARJULY202 ICPARJULY202 ICPARJULY202 ICPARJULY202 ICPARJULY202 ICPARJUL	Y2022 0.5
Hours per unit 0221CPARJULY20221CPARJULY20221CPARJULY20221CPARJULY20221CPARJUL	$^{Y2022}_{0.5}$
Cost per hour	0.5
Cost of direct labour per unit	0.5
Variable production overhead per unit - Based on direct labour hours	y2022 0.5
Fixed production overhead per unit - Based on direct labour hours)	Y2022 0.5
Total product cost PARJULY2022ICPARJULY2022I	Y2022 0.5
Standard profit margin	$^{12022}_{0.5}$
20221CPAR. ULY 20221CPARJULY 20221CPARJULY 20221CPARJULY 20221CPARJULY 20221CPARJUL	Y20221CPA
2022 ICPARJULY2022 ICPARJULY2022 ICPARJULY2022 ICPARJULY2022 ICPARJULY2022 ICPARJULY2022 ICPARJUL b) o icpar ii ii vooccicpar ii ii	
Sales on the three budgets, 0.5 mark for each sale	Y 2022 ICPA V 2022 ICPA
Direct materials 2 ICPARIULY 2022 IC	Y2022IC14
Direct labour 2022 ICPARJULY 2022 IC	Y2022ICRA
Variable production overheads	Y2022ICPA
2017 / H. PAR & H. Y. 2017 / H. PAR II II.	Y2022ICPA
Fixed production overheads O221CPARIULY2022 ICPARIULY2022 ICPARIULY202 ICPARIULY202 ICPARIULY202 ICPARIULY202 ICPARIULY202 ICPARIULY202 ICPARI	Y2022ICFA
Total production costs JULY2022ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPARJULY202ICPA	Y2022 1.5A
Profit for each of the three budgets, 1 mark for each ULY20221CPARJULY20221CPARJULY	Y20221C5
ZUZZICPARJULY ZUZZICPARJULY ZUZZICPARJULY ZUZZ ICPARJULY ZUZZICPARJULY ZUZZICPARJULY ZUZZICPARJUL 2000 J CDA D II II V 2020 J CDA D II II	
c) 21CPARJUL1 2022 ICPARJUL1 2022 IC	Y20221CIA
i) Direct material price variance	Y2022ICPA
ii) Direct material usage variance	Y2022ICPA
iii) Direct labour rate variance CPARHILY2022 CPARHILY202 CPARHI	Y2022ICI ¹ /
iv) Sales price variance 1/20221CPARJULY20221CPARJULY20221CPARJULY20221CPARJUL	Y2022IC 1 A
v) 2 Sales volume variance 2022 ICPARJULY 2022 ICPA	Y2022ICIA
Total ARJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY	20

. Y2022ICPARJULY**S3.2**ICPARJULY2022ICPARJULY2022ICPARJULY2022 ICPARJULY2022ICPARJULY2022ICPA**Page 11 of 13** RJULY2022ICPAR Y2022ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2022 ICPARJULY2022ICPARJULY202

Model Answer

a) Standard profit computation

Standard profit margin	791.82 =1,860.00 - 1,068.18	FRW
Selling price 2022/CPARJUI Y2022/CPAR	1,860.00 PARHH V20221CPARHH V20221CPARH	FRW
Total product cost	1,068.18 = 68.18+732.00+68.73+199.27	FRW
Fixed production overhead per unit - Based on direct labour hours)	$199.27 = 0.06* (14,730,240/4,170)^{21CPARIL}$	FRW
Variable production overhead per unit - Based on direct labour hours	68.73 = 0.06* (5,080,320/4,170)	FRW
Cost of direct labour per unit	732.00 = 0.06*12,975.88	FRW
Cost per hour 0221CPARJULY20221CPAR	12,975.88 = 54,109,440/4,170	FRW
Hours per unit	0.06 = 4,170/73,920	Hours
Cost of direct materials per unit	68.18 = 0.08*827.59	FRW
Cost of 1kg of raw materials	827.59 = 5,040,000/6,090 RIJI V2022ICPARII	FRW
Quantity of raw material per unit	0.08 = 6,090/73,920	Kgs

b) 3 separate Quarter 2 (Q2) 2021 statements of profit or loss

2022 ICPARJULY 2022 ICPARJULY 2022 I	CPARJULY 2022	73,920	92,400	92,400
2022ICPARJULY2022ICPARJULY2022I 2022ICPARJULY2022ICPARJULY2022I 2022ICPARJULY2022ICPARJULY2022I	Standard cost Per Unit	Original Budget	Flexed Budget	Actual results
Sales	1,860	137,491,200	171,864,000	160,776,000
2022ICPARJULY2022ICPARJULY2022I	СРАВЛЛУ 2022	CPARJULY2022IC	PARJULY2022ICI	ARJULY2022ICF
Direct materials CPARJULY20221	68JULY2022	5,040,000	6,300,000	6,825,000
Direct labour	732	54,109,440	67,636,800	74,594,520
Variable production overheads	69	5,080,320	6,350,400	5,715,360
Fixed production overheads	199 TY2022	14,730,240	18,412,800	17,348,310
Total production costs	1,068	78,960,000	98,700,000	104,483,190
Profit ARIHI VANASI CRARIHI VANASI	792	58,531,200	73,164,000	56,292,810

Workings / Mark for each calculation

- ✓ 137,491,200 = 73,920 x 1,860
- \checkmark 2171,864,000 = 92,400 x 1,860
- \checkmark 160,776,000 = 92,400 x 1,740
- \checkmark 6,300,000 = 92,400 x 68
- \checkmark 67,636,800 = 92,400 x 732
- \checkmark 6,350,400 = 92,400 x 69
- ✓ 18,412,800 = 92,400 x 199

S3.2 CPARJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPARJULY2022ICPA ${f Page~12~of~13}$

c) Computation of the following variances

(i) Direct material price variance

Direct material	(Standard cost –	(1,007,069) = (828 - 971)*7,030	Adverse
price variance	Actual cost)*Actual	ICPARJULY2022ICPARJULY2022ICPARJU	LY20221CPA
2022ICPARJULY2022ICPA	Quantity ICPARJULY202	ICPARJULY2022ICPARJULY2022ICPARJU	LY2022ICPA
Standard cost	828 = 5,040,000/6,090	ICPARJULY2022ICPARJULY2022ICPARJU	LY2022ICPA
Actual cost	971 = 6,825,000/7,030	ICPARJULY2022ICPARJULY2022ICPARJU	LY2022ICPA

(ii) Direct material usage variance

Direct	material	(Standard Quantity -	482,069 = (7,613 - 7,030)*828	Favourable
usage variance		Actual Quantity)*		RIULY2022ICPA
2022ICPARJ	IULY2022ICPA	Standard cost	22 ICPARJULY2022 ICPARJULY2022 ICPA	RJULY2022ICPA
Standard Quantity		7,613 = (6,090/73,920)*92,400		

(iii) Direct labour rate variance CPARJULY2022 ICPARJULY2022 ICPARJULY20

Direct labour rate variance	(Standard rate - Actual rate)*Actual	LY2022 ICPARJULY2022 ICPARJULY2022 ICPARJU LY2022 ICPARJULY2022 ICPARJULY2022 ICPARJU	Adverse
Tate variance	Hours	(10,882,925) = (12,976 - 15,192)*4,910	LY2022ICPA
Standard rate	12,976 = 54,109,440/4,170		
Actual rate	15,192 = 74,594,520/	4,910 ICPARJULY2022 ICPARJULY2022 ICPARJU	LY2022ICPA

(iv) Sales price variance

Sales price	(Actual price - Standard	(11,088,000) = (1,740 - 1,860)*92,400	Adverse
variance	Price)*Actual volume	2022 ICPARJULY2022ICPARJULY2022ICPARJU	LY20221CPA

(v) Sales volume variance

Sales volume	(Actual volume -	14,632,800 = (92,400 - 73,920)*792	Favourable
variance	Budgeted		UULY2022ICPA
2022ICPARJULY2022	volume)*Standard		JULY2022ICPA
2022ICPARJULY2022	profit margin CPARIUI	Y2022 ICPARJULY2022 ICPARJULY2022 ICPAF	UULY2022ICPA

END OF MARKING GUIDE AND MODEL ANSWERS

S3.2 ICPARJULY2022 ICPARJULY2022 ICPARJULY2022 ICPARJULY2022 ICPARJULY2022 ICPARJULY2022 ICPAPage 13 of 13