



ICPAR
Unlimited possibilities

CERTIFIED ACCOUNTING TECHNICIAN

STAGE 1 EXAMINATIONS

S1.2: PRINCIPLES OF COSTING

DATE: MONDAY, 28 NOVEMBER 2022

INSTRUCTIONS:

- 1. Time Allowed: 2 hours and 30 Minutes.**
- 2. This examination has one section only: Section A**
- 3. Section A has 50 compulsory multiple-choice questions equal to 2 marks each.**
- 4. The question paper should not be taken out of the examination room.**

QUESTION ONE

Rukundo is a registered sole trader specialized in buying and selling of electronic equipment. On 20 July 2020, the trader purchased 15 fridges worth FRW 6,000,000 for resale to the final users and the payment was made by cheque at the time of the purchase. The trader is not sure the type of transaction he undertook. **Which type of transaction Rukundo had undertaken among the following?**

- A Credit transaction
- B Cash transaction
- C Capital transaction
- D (A)and (C)

(2 Marks)

QUESTION TWO

Which of the following is not one of the objectives of management accounting?

- A Ascertainment of cost
- B Cost Control
- C Providing information to shareholders for decision making
- D Determination of selling price

(2 Marks)

QUESTION THREE

Which of the following is not an objective of cost accounting within an organization?

- A Recording of cost
- B Maximize profit
- C Preparation of financial statements to guide decision making
- D None of the above

(2 Marks)

QUESTION FOUR

Which of the following statement is true about financial and management accounting?

- A Financial accounts are not prepared for external stakeholders while management accounts are prepared for internal stakeholders.
- B Financial accounts are prepared for internal stakeholders while management accounts are prepared for external stakeholders.
- C Management accounts are prepared for internal stakeholders while financial accounts are prepared for external stakeholders
- D (A) and (C)

(2 Marks)

QUESTION FIVE

Uwamahoro is a sole trader dealing in manufacturing and distribution of fruit products to retailers. The trader maintained only financial accounts and was not making profits as expected. After discussion with a friend who is a certified accounting technician, they recommended her to improve the accounting department with the maintenance of management accounts to enable proper management of costs within an organization. The trader is unsure of the nature of information to be recorded in cost accounts. As a CAT candidate, **which of the following is true about management accounting?**

- A It records past business transactions and provides the information necessary for the other parts of the business accounting system
- B It takes financial information and process it to prepare financial statements at the end of each accounting period for intended use
- C It takes information on past transactions and use it to provide people inside the business with regular and focused financial information in order to run it efficiently today and into the future
- D (A) and (C)

(2 Marks)

QUESTION SIX

Prime cost is the total of?

- A Direct materials + direct labor and indirect expenses
- B Direct materials, direct labor and direct expenses
- C Indirect materials, indirect labor and indirect expenses
- D Direct materials, indirect labor and indirect expenses

(2 Marks)

QUESTION SEVEN

Ibyiwacu Ltd is a company specialized in the production of banana wine. The following information relating to the production of 500 liters of wine recorded on the product cost card.

Direct material purchased: FRW 1,000,000

Direct material consumed: FRW 900,000

Direct labor: FRW 600,000

Direct expenses: FRW 200,000

Manufacturing overheads: FRW 300,000

The prime cost incurred to make the product was?

- A FRW 1,800,000
- B FRW 2,000,000
- C FRW 1,700,000
- D FRW 2,100,000

(2 Marks)

QUESTION EIGHT

Best Century Ltd is an iron sheet manufacturing company specialized in manufacturing of iron sheets. The company's cost accountant approach you as a CAT candidate to advise on which costs to be included in the factory overheads.

Which of the following components will you advise to be included in the factory overheads?

- A Direct material + Direct Labor + Direct expenses
- B Indirect material + Indirect labor + Indirect expenses
- C Direct material + Indirect expenses + Indirect labor
- D Direct labor + Indirect labor + Indirect expenses

(2 Marks)

QUESTION NINE

Home tables Ltd Company is specialized in manufacturing home furniture in Rwanda using wood. The company cost card for the production of 100 tables indicated the following details:

Details	"FRW"
Indirect labor cost	4,000,000
Maintenance of factory building	8,000,000
Total	12,000,000

All two manufacturing departments are housed within the factory with the total floor area of 14,000 square meters (sqm). The cost of maintaining the factory buildings were apportioned according to the floor space occupied as follows:

Cutting & assembling	12,000 sqm
Polishing & painting	2,000 sqm

How much of maintenance of factory building cost will be allocated to cutting & assembling, and polishing & painting department?

- A FRW 1,142,857.14 & FRW 6,857,142.86 respectively
- B FRW 6,857,142.14 and FRW 1,142,857.14 respectively
- C FRW 10,285,714 and FRW 1,714,286 respectively
- D FRW 4,000,000 and FRW 4,000,000 respectively

(2 Marks)

QUESTION 10

B&B Ltd assembly and test Hundai cars. The indirect labor cost incurred by B&B Ltd in quarter 2 of 2022 was FRW 4,000,000 while direct labor cost was FRW 2,000,000.

Hours worked within each department are as follows:

Assembly department:	200 hours
Testing department:	50 hours
Total	250 hours

If the allocation of indirect labor cost to departments were based on hours worked. **How much indirect labor cost will be allocated to assembly and testing department?**

- A FRW 3,200,000 and FRW 800,000 respectively
- B FRW 4,800,000 and 1,200,000 respectively
- C FRW 800,000 and FRW 3,200,000 respectively
- D FRW 2,000,000 and FRW 2,000,000 respectively

(2 Marks)

QUESTION 11

HKN is a partnership company specialized in outside catering of food to clients on order. In December 2020, the company incurred the following cost:

Category 1: Cost incurred in acquisition of Banana, Rice, Potatoes, Meats and other food ingredients used to make food

Category 2: Rent of building in which the restaurant operates

Category 3: Wages and office salaries

Category 4: Cost incurred for advertisement

For costing purpose, the above cost will be classified as?

- A Material cost, Labor cost, Expenses
- B Material cost, administrative cost, Labor cost
- C Direct and Indirect material cost, Direct and Indirect labor cost, Direct and Indirect expenses
- D Production costs and indirect distribution costs

(2 Marks)

QUESTION 12

Using information from question 11, **which of the following categories are classified as variable costs?**

- A Category 1,3&4
- B Category 1&2
- C Category 1
- D Category 2

(2 Marks)

QUESTION 13

The actual output of 162,500 units and actual fixed costs of FRW 87,000 were exactly as budgeted. However, the actual expense was FRW 300,000 and it was 18,000 over budgeted costs.

What was the budget variable cost per unit?

- A FRW 1.31
- B FRW 1.42
- C FRW 1.20
- D FRW 1.74

(2 Marks)

QUESTION 14

The following data relate to two activity levels of out-patients department in AB hospital:

Description	August 2022	September 2022
Number of consultations per patient	4,500	5,750
Overheads (FRW)	269,750,000	289,125,000

The fixed overheads were FRW 200,000,000 per month. **Which of the flowing will be the variable cost per consultation using High-Low method?**

- A FRW 50,283
- B FRW 15,500
- C FRW 59,944
- D FRW 54,524

(2 Marks)

QUESTION 15

Use the information below to answer Question 15 and Question 16

J&J limited is specialized in the production of cartridges for printers and operates in a factory which they rent FRW 2,000,000 per month. The company charges annual depreciation of FRW 5,000,000 for machines used in the production process. Both rent and depreciation of machines are fixed over the range of output level. The variable costs to make one cartridge are as follows:

	FRW
Raw materials cost	1,000
Direct labor cost	1,400
Direct expense	100
Total	2,500

A factory supervisor is hired on monthly salary of FRW 100,000 to supervise the production line and quality control purpose.

It is estimated that if the production exceeds 1,000 cartridges per month, another supervisor will be hired on the same salary. During the period ended 30 June 2022, the company produced 12,000 cartridges. Due to the increase in customer demands, the production manager forecasted the annual production to be increased by 20 % during the next year to end 30 June 2023. Note that the company operates throughout the year.

What will be the total cost per one cartridge produced during the year ended 30 June 2022?

A FRW 4,916.67

B FRW 5,016.67

C FRW 4,600

D FRW 4,180.55

(2 Marks)

QUESTION 16

Using the information in 15, **what will be the total cost per one cartridge produced during the year ended 30 June 2023?**

A FRW 4,597.22

B FRW 4,513.8

C FRW 4,680.5

D FRW 4,266.66

(2 Marks)

QUESTION 17

In splitting business in various departments, managers are concerned to know the costs and/or income of each department mainly to be able to make decisions, plan operations and to control the business. **Which of the following describe a profit centre?**

A A centre where the manager has the responsibility of generating and maximising profits

B A centre which is concerned with earning and adequate Return on Investment

C A centre which manages cost

D (i) and (ii) are correct

(2 Marks)

QUESTION 18

Which of the following divisions is a profit centre within a firm manufacturing and selling its products to the market?

- A Assembling
- B Retail shops
- C Finance
- D Marketing

(2 Marks)

QUESTION 19

Which of the following describes cost centre within a business organization?

- A Each area or department that do not incur costs
- B Each area or department accountable for revenue only
- C The manager is concerned with earning an adequate Return on Investment
- D None of the above

(2 Marks)

QUESTION 20

The following information is available for the Ahazaza hotel for the latest thirty-day period:

Number of rooms available per night 40

Percentage occupancy achieved 80%

Rooms servicing cost incurred FRW 800,000

The room servicing cost per occupied room-night last period:

- A FRW 20,000
- B FRW 25,000
- C FRW 640,000
- D FRW 800,000

(2 Marks)

QUESTION 21

Which of the following statements is true about coding systems within a business?

- A Purely numeric coding systems may also be used, but tend to be rather confusing to use
- B Purely alphabetic coding systems may also be used, but tend to be rather confusing to use
- C Alpha-numeric coding systems is not one of commonly used method of coding
- D (A) & (C)

(2 Marks)

QUESTION 22

Which of the following is one of the features of a good coding system?

- A Codes are numerical
- B Codes are uniform in structure and length
- C Each item has not a unique code
- D None of the above

(2 Marks)

QUESTION 23

Kelly Ltd owns a bakery producing cookies. As at 31 December 2020, Kelly has the following in its inventory:

- (i) 50 Kgs of milk
- (ii) 100 Kgs of sugar
- (iii) 50 Kgs of wheat flour
- (iv) 50 boxes of cookies awaiting quality check
- (v) 70 boxes of cookies that passed quality check and packed ready delivery to customers.

Having in mind different type of inventory in manufacturing firm, **which of the following is a raw material inventory for Kelly Ltd?**

- A (i), (ii), and v
- B (iv) and (v)
- C (i), (ii) and (iii)
- D (v) only

(2 Marks)

QUESTION 24

Which of the following statement is true about the inventory?

- A The concept of raw materials as inventory items exists only in the manufacturing industry
- B The concept of raw materials as inventory items may exists in trading industries
- C All information on the inventory cards is similar to those on store ledger accounts with no difference
- D (A) and (C)

(2 Marks)

QUESTION 25

The information below will be used to answer **question 25, 26,27 and question 28**

Kamana is a wholesale trader specialized in import and sale of rice in Nyabugogo modern market.

He owns a store in which imported rice is stored and later sold to retailers. Extract from the store records during the month of May 2021 indicated the following information:

- 1) Opening balance of stock as at 01 May 2021: 1,000 Kgs at FRW 900 per kg
- 2) On 10 May 2021, received 2,000 Kgs at FRW 850
- 3) On 15 May 2021, sold 1,500 Kgs
- 4) On 25 May 2021, received 1,000 Kgs at FRW 870
- 5) On 28 May 2021, sold 1,700 Kgs

Assuming no movement in the stock occurred after 28 may 2021.

The value of the closing stock for Kamana using first –in-first out (FIFO) method of inventory valuation was.?

- A FRW 720,000
- B FRW 696,000
- C FRW 694,240
- D FRW 900,000

(2 Marks)

QUESTION 26

Considering information in 25, what was the cost of stock issued using FIFO?

- A FRW 2,750,000
- B FRW 2,477,000
- C FRW 2,774,000
- D FRW 2,775,760

(2 Marks)

QUESTION 27

Considering information in 25 and using last-in-first out (LIFO) stock valuation method, determine the value of the inventory that will be brought forward to the month of June 2021?

- A FRW 720,000
- B FRW 696,000
- C FRW 2,195,000
- D FRW 694,240

(2 Marks)

QUESTION 28

Considering information in 25, what was the cost of stock issued using LIFO?

- A FRW 2,774,000
- B FRW 696,000
- C FRW 2,750,000
- D FRW 2,570,000

(2 Marks)

QUESTION 29

BTC had the following information relating to stock in May 2021

Opening balance in stock as at 01 May 2021: 1,000 Kgs at FRW 900 per kg

10 May 2021, received 2,000 Kgs at FRW 850

15 May 2021, sold 1,500 Kgs

What was the closing stock for May 2021 cumulative weighted average cost?

- A FRW 1,275,000
- B FRW 1,325,000
- C FRW 1,299,995
- D None of the above

(2 Marks)

QUESTION 30

The information below will be used for Question 30 and Question 31

Umubaji Ltd operates a carpentry workshop to manufacture desks for school. The normal working hours per week for carpenters is fixed to 40 hours.

Due to high demand of school furniture during the school year 2020/2021, the company employed ten carpenters in the week 2 of the month of May 2020. Except one carpenter, Murava who worked 52, others worked normal hours as expected.

Umubaji uses time rate system to remunerate carpenters at standard rate of FRW 1,500 per hour. For any hour worked in excess of norm working period is paid at an overtime rate of FRW 1,800 per hour.

How much Umubaji had to pay to the carpenter Murava in week 2 (one week) of the month of May 2020?

- A FRW 60,000
- B FRW 78,000
- C FRW 81,600
- D FRW 93,600

(2 Marks)

QUESTION 31

Using the information provided on question 30, **how much pay to the remaining 9 carpenters (excluding Murava's pay) for one week?**

- A FRW 540,000
- B FRW 600,000
- C FRW 621,600
- D FRW 648,000

(2 Marks)

QUESTION 32

The information below contain data for **Question 32 and Question 33**

Mugabo is cement bricks maker in Northern Province. The manufacturer has 2 operators, Mubumbyi & Murava working in the factory to make cement bricks to be delivered to customers as per order. Due to high demand of construction materials in the month of June 2020, the manufacturer opted to pay operators at different rate based on the number of cement bricks made by each of the operators to a given level.

Operators are paid at the rate of FRW 120 for cement bricks made up to 2,000 bricks. Above this level, the rate was increased by 10% for each brick made. It was agreed that the rate per brick made will be reduced to 90 % for the failure to achieve the minimum production.

During the month of June 2020, Mubumbyi and Murava made 1,900 and 2,400 cement bricks respectively.

How much pay to Mubumbyi and Murava during the month of June 2020?

- A Mubumbyi was to be paid FRW 228,000 while Murava was to be paid FRW 288,000
- B Mubumbyi was to be paid FRW 250,800 while Murava was to be paid FRW 292,800
- C Mubumbyi was to be paid FRW 205,200 while Murava was to be paid FRW 292,800
- D None of the above

(2 Marks)

QUESTION 33

If Mubumbyi produced 2,000 bricks, he was to be paid?

- A FRW 264,000
- B FRW 216,000
- C FRW 240,000
- D None of above

(2 Marks)

QUESTION 34

Overhead refers to:

- A All direct costs incurred during the production of a given product within a manufacturing firm
- B All indirect costs incurred during the production of a given product within a manufacturing firm
- C All indirect and direct costs incurred during the production of a given product within a manufacturing firm
- D All direct material costs incurred during the production of a given product within a manufacturing firm.

(2 Marks)

QUESTION 35

Which of the following is true about cost behavior?

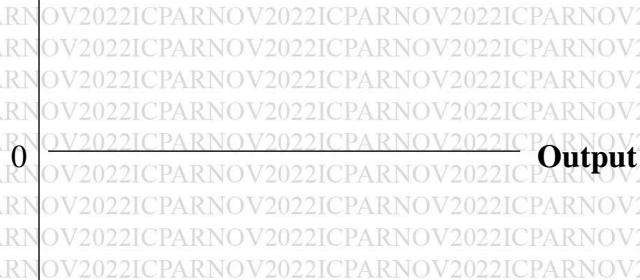
- A Total variable cost varies directly with the level of activity
- B Fixed costs remain constant in total regardless of activity level and could not change at all.
- C Total fixed costs remain constant over a given level of activity
- D (A) and (C)

(2 Marks)

QUESTION 36

The graph below describes the cost behavior

Cost in FRW



Which of the following costs described by the graph?

- A Total variable cost
- B Total semi-variable cost
- C Variable cost per unit
- D Total costs

(2 Marks)

QUESTION 37

The budgeted and standard cost information for Keza & Mwiza Ltd are detailed below:

Budgeted production and sales 10,000 units

Direct material cost – 3 kg @ FRW 100 per unit 300

Actual results for the period were as follows:

Production and sales 10,000 units

Direct material – 36,000 kg FRW 3,420,000

The direct material cost variance is?

- A FRW 420,000 Favourable
- B FRW 2,420,000 Adverse
- C FRW 420,000 Adverse
- D None of the above

(2 Marks)

The following information related to question 38, 39, and 40:

Cost	Budget in FRW	Actual in FRW	Variance in FRW	Nature of the variance
Direct material	7,000,000	?	500,000	Adverse
Sales	?	18,000,000	2,000,000	Favorable
Advertising cost	?	600,000	80,000	Adverse

QUESTION 38

What was the direct material actual cost for the period?

- A FRW 6,500,000
- B FRW 11,000,000
- C FRW 7,500,000
- D None of the above

(2 Marks)

QUESTION 39

What was the budgeted advertising cost for the period?

- A FRW 680,000
- B FRW 520,000
- C FRW 100,000
- D None of the above

(2 Marks)

QUESTION 40

What was the budgeted sales for the period?

- A FRW 17,500,00
- B FRW 20,000,000
- C FRW 16,000,000
- D None of the above

(2 Marks)

QUESTION 41

Home Grown Manufacturing Ltd deals with manufacturing juice which are packed in boxes of 20 bottles. The company incurred direct material cost of FRW 5,000,000 in the production of 50 boxes. The budgeted cost of direct material was FRW 4,500,000 to produce 50 boxes of juice during the month of March 2021.

What was the significance of material cost variance?

- A 11.11% favorable
- B 10% Adverse
- C 11.11% Adverse
- D 9% adverse

(2 Marks)

QUESTION 42

Home Grown Manufacturing Ltd budgeted to produce 60 boxes of bottle of juices during the month ended July 2021. The following information relates to production made for the month of July 2021. One box contained 20 bottles of juice.

Details	FRW
Budgeted direct material cost per bottle	1,000
Budgeted direct labour cost per bottle	500
Total production overheads	500,000
Actual production costs	2,450,000

What was the total cost variance for July 2021?

- A FRW 150,000 favorable
- B FRW 150,000 Adverse
- C FRW 1,860,000 Adverse
- D FRW 1,920,000 favorable

(2 Marks)

QUESTION 43

Girisuku Ltd manufacture of cosmetic products. During the month of January 2020, the following cost were incurred:

		FRW 000
(i)	Production costs	20,000
(ii)	Administration costs	2,000
(iii)	Sales and distribution costs	1,500
(iv)	Direct material cots	7,000
(v)	Indirect labor cots	3,000

The factory management accounting manager wants to classify the costs according to factory's function. **Which of the following classification is part of cost by function as per manager's request?**

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

(2 Marks)

QUESTION 44

Which of the following is true about cost classification?

- A Financial accounting classifies cost into direct or indirect cost
- B Management accounting classify cost into capital expenditure or revenue expenditure
- C Management accounting classifies cost by function, element and by nature
- D (A) and (C)

(2 Marks)

QUESTION 45

Which of the following statements is true about the reporting of variances?

- A Only favorable variances are reported to management for investigation
- B Only adverse variances are reported to management for investigation
- C All variances are reported to the management for investigation
- D None of the above.

(2 Marks)

QUESTION 46

Which of the following documents will be completed by goods inwards staff on the basis of a physical check, which involves counting the items received and seeing that they are not damaged?

- A Dispatch note
- B Goods received note
- C Purchase requisition form
- D Purchase order

(2 Marks)

QUESTION 47

In case of general price rising:

- A LIFO provide highest value of closing stock and profit while FIFO provide lower closing stock and lower profit.
- B FIFO Provide highest value of closing stock and profit while LIFO provide lower closing stock and lower profit
- C FIFO Provide highest value of closing stock and lower profit while LIFO provide lower closing stock and lower profit
- D None of the above

(2 Marks)

QUESTION 48

An engineering firm operates a job costing system. Production overhead is absorbed at the rate of FRW 850 per machine hour. In order to allow for non-production overhead costs and profit, a markup of 60% of prime cost is added to the production cost when preparing price estimates. The estimated requirements of job number B500 are as follows:

Direct materials	FRW 1,065,000
Direct labour	FRW 326,000
Machine hours	140

The estimated price notified to the customer for job number B500 will be?

- A FRW 1,823,000
- B FRW 2,225,600
- C FRW 2,344,600
- D FRW 2,416,000

(2 Marks)

The information below will be used to answer question 49 and Question 50

The following information are available for Terimbere Muhinzi Ltd for the month of July 2021.

The company deals with purchase and sales of water melons.

Opening stock as at 01 July 2021 100 units @ FRW 700

16 July 2021, Receipts 500 units @ FRW 800

29 July 2021 Receipts 600 units @ FRW 850

Closing stock as at 31 July 2021 800 units

The company made only one issue from the stock on 30 July 2021 during the month of July 2021.

QUESTION 49

What is the estimate number of units issued and the related value using FIFO?

A 400 units valued at FRW 326,667

B 400 units valued at FRW 310,000

C 400 units valued at FRW 340,000

D None of the above

(2 Marks)

QUESTION 50

The value of closing stock as at 28 July 2021 if FIFO method was used is?

A FRW 670,000

B FRW 653,333

C FRW 640,000

D FRW 680,000

(2 Marks)

End of question paper