ICPAR
Unlimited possibilities

CERTIFIED PUBLIC ACCOUNTANT

FOUNDATION LEVEL TWO EXAMINATIONS

MARKING GUIDE AND MODEL ANSWERS

RNOV20221CPAI**QUESTION ONE** 20221CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV20221C

RNOV2022ICPARNOV202ICPARNO

NOV2022ICPAI	RNOV202	2ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2	Marks	NOV2022
NOV2022ICPAI	aOV202	Production of AGUKA overhead absorption PARNOV2022ICPARNOV2	022ICPARN	VOV2022
NO V 2022I CPAI NO V 2022I CPAI	RNOV202	Spare parts _{0221CPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2}	022ICPART 022ICPART	10V2022 10V2022
NOV2022ICPAI	RNOV202	Machine maintenance OV2022ICPARNOV2022ICPARNOV2022ICPARNOV2	022ICPAR	VOV2022
OV2022ICPAI	RNOV202	Stores St	022ICPARN	VOV2022
OV 2022I CPA) OV 2022I CPA)	RNOV202	Administration CPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2	022ICPARI 022ICPARI	VOV2022
OV2022ICPAI	RNOV202	Total overhead absorbed 2022ICPARNOV2022ICPARNOV2022ICPARNOV2	022ICPARN	OV2022
)V2022ICPAI	NOV202	Cost Per unit	022ICPARN	10V2022
V2022ICPAI	RNOV202	Working for ABC overhead rate RNOV2022ICPARNOV2022ICPARNOV2	022ICPARN	VOV2022
V2022ICPAI	NOV202	Award 1 mark for each overhead absorption rate identified in	022ICPAAN	IOV2022
V2022ICPAI V2022ICPAI	RNOV202 RNOV202	working or in answer	022ICPARN 022ICPARN	VO V 2022 Jo V 2022
V2022ICPA1	RNOV202	Sub-total 2022 ICPARNOV 2022 ICPARNOV 2022 ICPARNOV 2022 ICPARNOV 2	022ICPARN	VOV20 10
V2022ICPAI	BOV202	Advantages of Activity Based Costing (ABC) method utilization in	022ICPARN	10 V2010
V20221CPA1 V20221CPA1	RNOV202 RNOV202	allocating costs to products. Award 2 marks for well identified and	022ICPARN 022ICPARN	IOV2022 IOV2022
OV2022ICPAI	RNOV202	brief explanation of advantage of ABC.2022ICPARNOV2022ICPARNOV2	022ICPARN	VOV2022
)V2022ICPAI	Total	ZICPARNÔ V 2022 I CPARNO V 202	022ICPARN	20

RNOV2022ICPAI<mark>Model Answers</mark> OV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022IC

rnov20221cpa1**a) Production of AGUKA overhead absorption**)221cparnov20221cparnov20221cparnov20221cparnov20221c

RNOV2022ICPAI d RNOV2022ICPAIN	The cost pool	Workings	1221CPARNOV20221CPARNOV ETY 1221CPARNOV20221CPARNOV ETY	CPARNOV2022IO CPARNOV2022IO
RNOV2022ICPARN	Total spare parts used ICPARNO	\400*40\arnov20221CPARNOV2	1221CPARNOV20221CPARN 16,000 10	CPARNOV2022IO
RNOV2022ICPAR	Machine maintenance	200hours*30 V2022ICPARNOV2	1221CPARNOV2022ICPARNO 6,000	CPARNOV2022IC
RNOV2022ICPAI U RNOV2022ICPARI	Stores ₂₂₁ CPARNOV20221CPARNO	10*500 _{ARNOV2022} ICPARNOV2)22ICPARNOV2022ICPARNO 5,000	CPARNOV 2022IC
RNOV2022ICPAR	Administration OV2022ICPARNO	V20*50 PARNOV2022ICPARNOV2)221CPARNOV20221CPARNO 1,000 1	CPARNOV2022IO
RNOV2022ICPAIC	Total overhead absorbed	V2U2ZICPARNOV2U2ZICPARNOV2 V2022ICPA PNOV2022ICPA PNOV2	DZZICPARNOV 202ZICPARN 28,000	CPARNOV2022IC
RNOV2022ICPAR	Per/unit/CPARNOV2022ICPARNO	28,000/1,400 V2022ICPARNOV2)221CPARNOV20221CPARNOV2(20 10	CPARNOV2022IC
RNOV2022ICPARN	NOV2022ICPARNOV2022ICPARNO	V2022ICPARNOV2022ICPARNOV20	022ICPARNOV2022ICPARNOV2022IC	CPARNOV2022IC

RMOV2022ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202I

RNOV2022ICPA	CPAK <mark>WIANIIS</mark> SCPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV20					
RNOV2022ICPA	RNOV2022ICPARNOV	Spare parts 12	Maintenance 221CPARN	Stores	Administration	CPARNOV2022I
RNOV2022ICPA	Overhead costs	20,000 ARNOV2	18,000 NOV2022ICPARN	10,000 PARNOV	2,000 ARNOV202210	CPARNOV2022I
RNOV 2022ICPA RNOV 2022ICPA	Cost driver	Total number	Machine maintenance	Number of	No of employees	CPARNOV 202210 CPARNOV 202210
RNOV2022ICPA	RNOV2022ICPARNOV	of Spare parts 2	hours RNOV2022ICPARN	requisitions NOV	2022ICPARNOV2022I	CPARNOV2022I
RNOV2022ICPA	Activity level	500 CPARNOV2	600 PARNO V 2022I CPARN	20 022ICPARNOV	240 ICPARNOV202210	CPARNOV2022I

RNOV2022ICPAI<mark>F2.1</mark>V2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICI**Page 2 of 16** PARNOV2022IC RNOV2022ICPARNOV202

RNOV2022ICPARNOV	Spare parts V2	Maintenance 22ICPARN	StoresCPARNOV	Administration
ABC overhead	Frw 40 per	Frw 30 per machine	Frw 500 per	Frw 50 per
rate _{2022ICPARNOV}	spare parts 0V2	maintenance hour PARN	requisition	employee OV2022I

b)

Activity based costing is a method used for allocating overheads costs by assigning them to activities. Once costs are assigned to activities, the costs can then be assigned to the costs objects that use those activities. An activity is defined as an event, task, or unit of work with a specified purpose, for example, operating machines, designing products, setting up machines etc. An activity can also be defined as a process or procedure that causes work.

Advantages of Activity-Based Costing (ABC)

- a) Better basis for cost apportionment: ABC serves as a better tool to apportion overheads to products because the indirect costs are allocated based on the activity which generates or which led related costs
- b) Overheads are traced to the product, the costs of product under ABC costing are more reliable for decision making PARNOV2022ICPARNOV202ICPARNOV202ICPARNOV2022ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARN
- c) ABC brings attention to cost behaviour and helps in the reduction of costs. Decision can be taken to lower costs using costs drivers NOV2022ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV2
- d) ABC provides a useful means of getting financial and non-financial data.
- e) Force's managers to consider the drivers of cost in their business.
- f) The system is simple to interpret and understand is it is available, useable and specifically implement capable across all norms of business set-ups.
- g) This procedure consumes unitary cost, or marginal cost as the calculation base in comparison to 22 the AR conventional RN cost 22 accounting 22 techniques 202 which Remploy Protal V2 cost

QUESTION TWO

Marking Guide

RNOV2	1221CPARNOV 2022ICPARNOV 2022IC	Marks	RNOV202210
R a OV2	Award 2 mark for any two-points provided justifying	ARNOV2022ICPA	RNOV202 4 I0
RNOV2	interrelationship between labor and material variance	ARNOV2022ICPA	RNOV2022I
Rib _{OV2}	Variances v2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICP	ARNOV2022ICPA	RNOV2022R
RNOV2	i)Material usage variance V2022ICPARNOV2022ICPARNOV2022ICP	ARNOV2022IC4A	RNOV2022I
RNOV2	Well obtained cost of materials used award 1 mark	ARNOV2022ICPA	RNOV202210
RNOV2	Well obtained unity of materials used award 1 mark	ARNOV 2022ICPA ARNOV 2022ICPA	RNOV202210 RNOV202210
RNOV2	Well computed standard materials award 1221CPARNOV2022ICP	ARNOV2022ICPA	RNOV2022I0
RNOV2	Award 1 mark for material usage variance	ARNOV2022ICPA	RNOV2022I
RNOV2	ii)Labour rate variance:0V2022ICPARNOV2022ICPARNOV2022ICP	ARNOV2022IC 2 A	RNOV202210

F2.1 2022ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202I

RNOV2)22ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICP	AMarks0221CPARNOV20221
RNOV2	iii)Labour efficiency variance.	ARNOV 2022ICPARNOV 2022I
RNOV2	iv)Variable overhead expenditure variance:221CPARNOV20221CP	arnov20221c 2 arnov20221
RNOV2	v)Variable overhead efficiency variance. 2022ICPARNOV2022ICP	ARNOV2022IC2ARNOV2022I
RNOV2	Award 0.5 mark for each comment outlining possible causes	ARNO V 20221CPA RNO V 20221 ARNO V 20221CPA RNO V 20221
RNOV2	of variance obtained in (i) to (ii). (Maximum 1 mark for each	ARNOV2022ICPARNOV2022I
RNOV2	variance) V2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICP	ARNOV2022ICPARNOV2022I
RNOV2	Maximum /2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICP	ARNOV2022ICPARNOV20 26 I
RNOV2	Total marks for the question ICPARNOV2022ICPARNOV2022ICP	ARNOV2022ICPARNOV20 20 I

Model Answers

a) i) Labour and material variances are interdepended as explained below.

In case the company is using cheapest and low-quality raw materials, they may get a favorable material price variance. However, the company may use more of those low-quality materials due to possible breakages, the possible waste and the possible spoilage during the manufacturing process. This could lead to the adverse material usage variance and may cause a greater time to be taken due to waste and rejection and therefore result in adverse labour efficiency.

Using the number of unskilled labour may cause a favorable labor rate variance whilst resulting in the job taking longer due to lack of high learning curve, lack of the competence and the experience. At the same time, lack of the skills and the knowledge may also result in the poor quality of work resulting in the waste of materials and there being more rejections because they don't know how to process low materials within due time and deliver expected quality. This could lead to the adverse material usage variance due to using many inputs.

b)

i)Material usage Variance = Standard Price (Standard Quantity – Actual Quantity)

Actual Quantity of Raw Material used is computed as follows:

RNOV2022ICPARNOV2022ICPARNO	Cost (Frw) OV202	Unit cost 2022 ICPARNOV2	Units RNOV20221
Opening Stock: OV2022ICPARNO	V2022ICPAR 12,000 ²	LICPARNOV2022ICPA <mark>1</mark> .50 (i) 2	022ICPARNO8,000
Purchases PARNO V2022ICPARNO	V20221CPA 42,000	ICPARNOV2022ICPARNOV2	0221CPARN 12,000
RNOV2022ICPARNOV2022ICPARNO	0V2022ICPAR 54,000 2	2ICPARNOV2022ICPARNOV2	0221CPARN 20,000 1
Less closing stock 2022 CPARNI	(6,000)	2.50 (ii)	(2,400)
Raw material used 221CPARNO	V2022ICPAR 48,000	ZICPARNO V 2022ICPARNO V 2 ZICPARNO V 2022ICPARNO V 2	D22ICPARN 17,600

Standard Quantity = Quantity expected to be used for the actual output. Quantity produced is computed as follows:

 $extbf{F2.1}^{20221CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV20221CIPage 4 of 16}$

KNOV2022ICPARNOV2022ICPARNO	Value (Frw)	Unit cost	Units RNOV20221
Opening Stock: OV2022ICPARNO	0V2022ICPARN36,000	CPARNOV2022ICPARNO <mark>10</mark>	22ICPARNO3,6001
Cost of unit sold V2022ICPARNO	DV2022ICPAR <u>100,000</u>	CPARNOV2022ICPARNO1020	22ICPARN <u>10,000</u> I
RNOV2022ICPARNOV2022ICPARNO RNOV2022ICPARNOV2022ICPARNO	V2022ICPA 136,000	CPARNOV2022ICPARNOV20 CPARNOV2022ICPARNOV20	136,000
Less closing stock 2022ICPARN	DV2022ICPAT <u>(42,500)</u> 2	CPARNOV2022ICPARNO 10	221CPARN (4,250) 1
Production ARNOV2022ICPARNO	V2022ICPAR\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	CPARNOV2022ICPARNOV20	²² ICPARNO 9,350

NB: Unit sold Quantity of goods sold =
$$\frac{FRW\ 200,000}{20}$$
 = 10,000

Materials required (budgeted) to produce 9,350 units: 2 kg per unit*9,350 = 18,700 kgs of the raw materials are required ^{22ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPAR}

(i) Material usage Variance =
$$SP(SQ-AQ) = 3 (18,700 + 17,600)$$

RNOV2022ICPARNOV202ICPARNOV20

Possible causes of this variance

- ✓ Good /Better quality of the labour
- ✓ High quality of the material
- Optimum utilization of the materials with little or no wastage
- (ii) Labour rate variance = Actual Hours (Standard Rate Actual Hours) = 8,000 (4 - 3.75)= Frw 2,000 (Favorable)

Possible causes of favorable labour rate variance

- ✓ Employment of the lower cost labour
- ✓ Overestimated labour rate NOV2022ICPARN
- ✓ Reducing prices of the labour in the market

(iii) Labour efficiency variance 202 = Standard Rate (Standard Hours - Actual Hours) RNOV2022ICPARNOV2022ICPAR = 4 ((9,350*0.75) - 8,000) RNOV2022ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNO

Adverse labour efficiency variance is caused by:

- ✓ Unexperienced labour
- ✓ Unmotivated labour force

F2.1^v 2022ICPARNO v 2022ICPA

PA (iv) Variable Overhead Expenditure Variance = Actual Variable overhead costs - (Actual PARNO hours*V.O.S. R)

Standard rate for variable overheads = $\frac{\text{FRW 1}}{0.75 \text{ hours}}$ = FRW 1.3334 per hour = 12,000 - (8,000*1.3334) = Frw 1,3334 (Adverse)

Adverse variable overhead expenditure is caused by:

- Underestimated overheads absorption rate OV2022ICPARNOV
- ✓ Lower output level than the expected
- ✓ Increase in the overheads during the period

(v) Variable Overheads Efficiency Variance

RNOV20 = V.O.A.R (Actual labour hours – Standard labour hours

ARNOV2022ICPAR± 1.3334 (8,000 - 9,350*0.75) OV2022± Frw 1,317 (Adverse)

Adverse variable overhead efficiency variance is caused by

- Many hours taken to produce the units RNOV20221CPARNOV2
 - ✓ Decreased efficiency in the output process

OUESTION THREE

Marking Guide

NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022IC	Marks
a) VCash budget V2022ICPARNO V2	PARNOV:
Opening cash balance: 0.5 mark for each figure for each month-exclude opening balance of January 2022	PARNOV PARNOV
Cash sales: 0.5 mark for each figure for each month CPARNOV2022ICPARNOV2022IC	PARNO 2
Debtor's receipt: 0.5 mark for each figure for each month NOV2022ICPARNOV2022IC	PARNO 2
Cash purchase: 0.5 mark for each figure for each month	PARNO 2
Creditor's payment: 0.5 mark for each figure for each month	PARNO 2
General and selling expense: 0.5 mark for each figure for each month RNOV202210	PARNO 2
Interest payment: 0.5 mark for each figure for each month OV2022ICPARNOV2022IC	PARNO2
Dividend payment: 0221CPARNOV2022ICPARNOV202ICPARNO	PARN 0.5
Capital investment	0.5
Income:tax:arnov2022icparnov20	PARNO.5
Subtotal CPARNOV2022ICPARNOV202ICPARNOV	PARNQ 5 .
b) (i) production budget of UMUTI product Award 1 mark for each correct figure shown including total	PARNOY
(ii) Award 1 mark for material usage CPARNOV2022ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPAR	PARNOV
Award 1 mark for conclusion reached showing that material usage budget 2210 will be the same as material purchase budget due to lack of stock of waterials NOV20221CPARNOV2022	PARNO¶ PARNOV PARNOV

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<mark>Fotal</mark>)221CPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPA	ARN 20	2
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Model Answer

a) Cash Budget for Tumusime Ltd

NOV2022ICPARNOV2022ICPARNOV2022I	CPARN Jan-22	PARN Feb-22 C	PARI Mar-22 (PARIApr-22
NOV2022ICPARNOV2022ICPARNOV2022I	CPA FRW"000	PAFRW2000	PAFRW"000	PFRW"000
NOV2022ICPARNOV2022ICPARNOV2022I	CPARNOV20225C	PARNOV20235C	PARNOV20231C	PARNOV2029
Opening cash balance	40,000	102,500	159,000	207,500
Cash sales 40% of sales PARNOV2022	CPARNO72,000	PARN (60,000)	PARN (80,000)	PAR 100,000
Debtor's receipt 60% of previous 0221	CPARNOV2022IC	PARNOV2022IC	PARNOV2022IC	PARNOV2022
sales 022ICPARNOV2022ICPARNOV2022I	CPARN102,000	PARN108,000	PARN 90,000	PAR 120,000
Total cash available	214,000	270,500	329,000	427,500
Budgeted payment 22 ICPAR NOV2022	CPARNOV2022IC	PARNOV2022IC	PARNOV202210	PARNOV2022
Cash purchase OV2022 ICPARNOV2022	CPARNO 50,000 C	PARN (50,000)	parn(50,000)	PARN 50,000
Creditor's payment 22ICPARNOV2022I	CPARNO50,000	PARN (50,000)	PARN 50,000	PARN50,000
General and selling expense	1,500	1,500	1,500	1,500
Interest ICPARNOV20221CPARNOV20221	10,000	10,000	10,000	10,000
Dividend PARNOV2022ICPARNOV2022I	CPARNOV2022IC	PARNOV2022IC	PARN(10,000)	PARNOV2022
Capital investment 022ICPARNOV2022I	CPARNOV2022IC	PARNOV2022IC	PARNOV2022IC	PARN20,000
Income tax	CPARNOV2022IC	PARNOV2022IC	PARNOV2022IC	1,500
Total payment V20221CPARNOV20221	111,500	111,500	121,500	133,000
Cash balance OV2022ICPARNOV2022I	CPARN102,500	PARN159,000C	PAR 207,500	PAR 294,500

Working number 1: Interest payment: 200,000,000 * 0.05 = 10,000

b)

(i) Total Production Budget will be: ICPARNOV2022ICPARNOV2022ICPARNOV

RNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARN	IOV2022ICPARN Liters I
Estimated Sales 0V2022ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202I	1,000 IOV 2022 I CPARNO 1,000
Add: Closing stock 0221CPARNOV2022ICPARNOV2022ICPARNOV2022ICPARN	IOV2022ICPARNOV 200 I
Less: Opening stock 221CPARNOV2022ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202	OV2022ICPARNO (300)
Production ARNOV2022ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICP	iov2022Icparnov 900 i

(ii) Raw materials usage budget: = Production Units * Quantity per Unit. 900 liters *0.5 = 450 liters

Materials Purchase Budget = Materials Usage Budget + Closing Inventory of Raw Materials - Opening Inventory of Raw Materials. | Opening Inventory of Raw Materials. | Opening Inventory of Raw Materials | Opening Inventory of Raw Mater

In this Question there are no opening or closing raw materials and therefore Materials Usage Budget is the same as Materials Purchase Budget

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RNOV2022ICPAI**QUESTION FOUR**022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022IC

RNOV2022ICPAI<mark>Marking Guide</mark> OV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022IC RNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV

rnov20221cpa1**a) i). Equivalent cost unit under FIFO** parnov20221cparnov20221cparnov20221cparnov20221cparnov20221c

Ttem 0221CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV2022	Marks V2022ICPA
Calculation of opening WIP in equivalent unit	ICPARNOV2022ICP3
Addition units in the equivalent units CPARNOV2022ICPARNOV2022ICPARNOV2022	ICPARNOV2022ICP
Closing stock in equivalent unit V2022ICPARNOV2022ICPARNOV2022ICPARNOV2022	ICPARNOV2022ICI3
Well computed normal loss NOV2022ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202IC	ICPARNOV2022ICP
Computed abnormal loss and shown in the equivalent unit OV2022ICPARNOV2022	ICPARNOV2022ICI 2
Well computed total costs mark for each	ICPARNOV2022ICE
Well computed cost per unit NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022	ICPARNOV 20221677 ICPARNOV 20221 2 15
Sub-total (a) NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022	ICPARNOV2022Iq3
Award 0.5 for each figure shown in the process accounting for each unit and	ICPARNOV2022ICPA
related valuernov2022icparnov2	ICPARNOV2022ICPA
Sub-total (PARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022	ICPARNOV2022ICPA
Total 221CPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022	ICPARNOV2022R

RNOV2022ICPAI<mark>Model Answer</mark>nov2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022IC

a) EQUIVALENT COST UNIT UNDER FIFO

RNOV2022ICPAI	RNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICF	ARNOV2022ICF	Equivalent units 0 V 202210		CPARNOV2022
RNOV2022ICPAI RNOV2022ICPAI RNOV2022ICPAI	RNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICP RNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICP PARTICULARS PARTICULARS	Physical units	Materi al	Conversion	CPARNOV2022 CPARNOV2022 CPARNOV2022
RNOV2022ICPAI	RNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICF	A Kgs)V2022ICP	ARNOV202	2ICPARNOV2022I	CPARNOV2022
RNOV2022ICPAI	Inputs 221CPARNOV20221CPARNOV20221CPARNOV20221CF	ARNOV2022ICF	ARNOV20	21CPARNOV2022I	CPARNOV2022
RNOV2022ICPAI RNOV2022ICPAI	Opening WIP (notes 3&4), RNOV2022ICPARNOV2022ICP	ARNOV 1,600	(1,600)	2ICPARNO (800) _I	CPARNOV2022 CPARNOV2022
RNOV2022ICPAI	Addition inputs OV2022ICPARNOV2022ICPARNOV2022ICF	ARNO 10,000 P	ARNOV202	2ICPARNOV2022I	CPARNOV2022
RNOV2022ICPAI	TOTAL INPUTS	11,600	ARNOV20	21CPARNOV2022I	CPARNOV2022
RNOV2022ICPAI	Outputs CPARNOV2022ICPARNOV2022ICPARNOV2022ICP	ARNOV2022ICF	ARNOV20	2ICPARNOV2022I	CPARNOV2022
RNOV2022ICPAI	Completed ARNOV2022ICPARNOV2022ICPARNOV2022ICP	ARNO 10,220 P	10,220	2ICPARN10,220	CPARNOV2022
RNOV2022ICPAI RNOV2022ICPAI	Normal loss 5% of 10,000 inputs)	500 ARNOV2	ARNOV20: Arnov20:	21CPARNOV2022H 21CPARNOV2027I	CPARNOV2022 CPARNOV2022
RNOV2022ICPAI	Closing WIP (Note 3) ICPARNOV2022ICPARNOV2022ICF	ARNOV20 780 P	ARN(780)	2ICPARNOV4681	CPARNOV2022
RNOV2022ICPAI	Abnormal loss (note 1) (Balancing figure)	ARNOV20100	100	2ICPARNOV 100 I	CPARNOV2022
RNO V 2022I CPAT RNO V 2022I CPAT	Total expected output CPA(B) V2022ICPARNOV	11,600	11,100	21CPARN 10,788	CPARNOV2022 CPARNOV2022
RNOV2022ICPAI	NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICF	ARNOV2022ICF	ARNOV202	2ICPARNOV2022IC	CPARNOV2022
RNOV2022ICPAI	Costs (Note 5)	ARNOV2022ICF	ARNOV20	21CPARNOV2022I	CPARNOV2022
RNOV2022ICPAI	Opening stock 10 V2022ICPARNOV2022ICPARNOV2022ICP	ARNOV2022ICF ARNOV2022ICF	AR 2,160	2ICPARNOV 4001	CPARNOV2022
RNOV2022ICPAI	Current costs (given) (A) RNOV2022ICPARNOV2022ICF	ARNOV2022ICF	13,680	21CPARNO 5,992 10	CPARNOV2022

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NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICI	ARNOV2022ICI	Equivalent units V202	
NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICI NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICI P ARTICULARS /2022ICPARNOV2022ICPARNOV2022ICI	Physical units	Materi al	Conversion costs
NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICI	AKgs V2022ICI	ARNOV202	22ICPARNOV2022
Total costs	22,232	15,840	6,392
Costs per equivalent unit (a)/(b)v2022ICPARNOV2022ICI	ARNOV20 1.92 1	ARN 1.43)	21CPARNOV2 0:6
NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICI NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICI NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICI	ARNOV20221CI	1.4270 27	21CPAR 0.59251 21CPARNOV 2022 21CPARNOV 2022
Allocated PARNOV2022ICPARNOV2022ICPARNOV2022IC	ARNOV Total	ARNOV202	2ICPARNOV2022
NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICI	FRW	FRW	ZICPARNO FRW
Closing WIP (notes 3) @ 780@468 for conversion	ARNOV 1,495	AR1,113	2ICPARNOV 277
NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICI Abnormal loss 10 V2022ICPARNOV2022ICPARNOV2022ICI NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICI	ARNOV2022ICI ARN 191.655	142.70	2ICPARNOV2022 2ICPARN59.251
Normal loss RNOV2022ICPARNOV2022ICPARNOV2022ICI	ARN 958.276	ARNOV202	2ICPARNOV2022
Opening WIP (given) @ 1,600 kg 022ICPARNOV2022ICI	ARNOV 3,066	AR 2,283	2ICPARNOV 948
Units started and completed i.e 10,220-1,600) *1.92,1.43 and 0.6	ARNO 2022ICI ARNO 16,521 I ARNO V 2022ICI	ARNOV20. ARNOV20.	21CPARNOV2022 21CPARNO 5,107 21CPARNOV2022
Total 221CPARNO V2022ICPARNO V2022ICPARNO V2022ICP	22,232	15,840	^{21CPARNO} 6,392

b) Process costs account

NOV2022ICPARNOV2022ICPARNOV202 Process Cost Account OV2022ICPARNOV2022ICPARNOV2022I					
eno v 20221 cparno v 20221 cpa i Rno v 20221 cparno v 20221 cpai	Kgs	FRW ₂₀₂₂₁	l Parno v 2022ICPA EPARNO V 2022ICPA	Kgs 2022ICI	FRW 2022
Opening WIPNOV2022ICPAI	RNOV2 1,600	ARNO 2,560	Completed 21CPA	RNO 10,220 I	ARN19,5871
Inputs - Materials	10,000	13,680	Normal Loss	500 S	958.276
NOV20221-Conversion costs	RNOV2022ICP	arno 5,992	Abnormal Loss	RNOV20100	AR 191.655
RNOV2022ICPARNOV2022ICPAI	RNOV2022ICP	ARNOV2022I	Closing WIP	RNOV20 780 1	ARNO1,4951
KNOV2022ICPARNOV2022ICPAI RNOV2022ICPARNOV2022ICPAI	11,600	22,232	CPARNO V 2022I CPA CPARNO V 2022I CPA	11,600	22,232

Workings

- 1. Abnormal loss is the figure that balances the inputs to the production process with the outputs from the process.
- 2. Closing WIP (780 kgs): Materials=780 kgs completed product and for conversion costs 468 ARN (60% *780 kgs) equivalent kgs of completed product. RNOV2022ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPA
 - 3. Opening WIP (1,600 kgs): Within the opening WIP, Materials =1,600 kgs completed 100% and conversion costs 800 (50%*1,600 kgs) equivalent kgs of completed product. These opening WIP completed/equivalent units are subtracted from the outputs to give the current period equivalent units over which current period costs are to be spread. Closing WIP: Materials are 100% complete but conversion is 60% complete hence, 60%*780 = 468
 - In calculating the cost per equivalent unit FIFO only includes current period costs.

F2.1^v 2022iCPARNO v 2022iCPA

- 5. FIFO assumes that opening WIP is completed first and when assigning costs to output opening WIP is allocated costs to complete the units. In this case, opening WIP is complete as regards materials but requires to 50% *1,600 kgs =800 kgs of additional (equivalent unit) conversion costs.
- 6. To allocate costs to completed production FIFO subtracts opening WIP units from the total units completed to obtain the units that were started and completed during the period. For both materials and conversion costs this is 8,620kgs (10,220 –1,600).

QUESTION FIVE

Marking Guide

RNOV	2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICF 2022ICPARNOV202	Marks 02210
R A OV RNOV RNOV	Computation of the fixed production costs absorbed by CASSAVA FLOOR in the first quarter 2021 if absorption costing is used	ARNOV202 3 10 Arnov202210 Arnov202210
RNOV RNOV	00221CPARNO V20221CPARNO V202	ARNOV202210 ARNOV202210
RNOV	• 21 Award 0.5 mark for computed overhead absorption of the quarter 2101	ARNOV2022I
RNOV RNOV	• 2 marks are allocated to the computation of the Over absorption of overhead	ARNOV2022I
B	Computation of the profit using absorption costing	ARNOV202210 ARNOV202210
RNOV RNOV	Award 1 mark for each correct line shown excluding sub-totals and totals	ARNOV2022IO ARNOV2022IO
RIC)V	Computation of the profit using marginal costing ARNOV2022ICPARNOV2022ICF	ARNOV202210 ARNOV202 7 10
RNOV	2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICFARNOV2022ICF	ARNOV2022I
RNOV RNOV	• Award 1 mark for each line shown in the marginal costing with the	ARNOV202210 Arnov202210
RNOV RNOV	following exceptions • Don Not Award marks on Sub-totals and Totals	ARNOV2022I
r D ov	Explanation about the difference and reconciliation NOV2022ICPARNOV2022ICF	ARNOV202310
RNOV	2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICF	ARNOV2022I
RNOV RNOV RNOV	Award 1 mark for well stated difference and two marks for reconciliation shown between marginal profit and absorption profit	ARNOV202210 ARNOV202210 ARNOV202210
I nov Rnov	Total marks for the question 21CPARNOV2022ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPAR	ARNOV202010 ARNOV202010
RNOV	10221CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV20221CPA	ARNOV2022I

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m v}$ 20221CPARNOV202

2022ICPAI**Model Answer**no v2022ICPARNO v2022ICPARNO v2022ICPARNO v

RNOV2022ICPAI**a)** The fixed production costs absorbed by CASSAVA FLOOR in the first quarter (with absorption PARNOV RNOV2022ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNO

Absorption rate = Frw 2 per kg produced.

During the quarter, the fixed production overhead absorbed was 220 kgs*FRW 2 = FRW440.

PAIThe under/over recovery of overheads for the quarter would be, 2022ICPARNOV2022ICPARNOV2022I

JRNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2	D22ICPARNO FRW I
Accrual fixed production overhead (1/4 of FRW1,600 ARNOV2022ICPARNOV	022ICPARNOV 400 _{II}
Absorbed fixed production overhead ICPARNOV2022ICPARNOV2022ICPARNOV2	022ICPARNOV <u>440</u> I
Over absorption of overhead Ov	D22ICPARNOV2040II

RNOV2022ICPAIb) Profit for the quarter, absorption costing, 2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV

INO V 2022I CPARNO V 2022I CPARNO V 2022I CPARNO V 2022I CPARNO V NO V 2022I CPARNO V 2022I CPARNO V 2022I CPARNO V 2022I CPARNO V	FRWARNOV2022	FRW
Sales (160*FRW 20)221CPARNOV20221CPARNOV20221CPARNOV	2022ICPARNOV2022	CPARNO3,200
Production costs 2022ICPARNOV2022ICPARNOV2022ICPARNOV	2022ICPARNOV2022	ICPARNOV2022
Variable (220*FRW 8) RNOV20221CPARNOV20221CPARNOV	0221CPARN 1,760 ₂	ICPARNO V 2022 ICPARNO V 2022
NO Fixed (absorbed overhead (220*FRW-2)) OV2022ICPARNOV	2022ICPARNOV 440 2	ICPARNOV2022
Closing stock (220-160) *FRW 10: FWR 10 is FRW8 +	(600)	ICPARNOV2022
FRW2221CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV	2022ICPARNOV 2022 2022ICPARNOV 2022	ICPARNOV2022 ICPARNOV2022
NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV	2022ICPARNOV2022	[CPARN(1,600)
Gross profit	2022ICPARNOV2022 2022ICPARNOV2022	1,600
Adjustment for over-absorbed overhead ARNOV2022ICPARNOV	2022ICPARNOV2022	icparnov2(46
Adjusted gross profit CPARNOV2022ICPARNOV2022ICPARNOV	2022ICPARNOV2022	ICPARNO 1,640
Less: 2 Sales and distribution costs 221CPARNOV2022ICPARNOV	2022ICPARNO V 2022 2022ICPARNO V 2022	ICPARNO V 2022 ICPARNO V 2022
NOV2022 Variable (160*FRW 4) V2022ICPARNOV2022ICPARNOV	2022ICPARNO\ 640 2	ICPARNOV2022
Fixed (1/4 of FRW 2,400)	2022ICPARNO 600 ²	ICPARNOV2022
NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV	2022ICPARNOV2022	CPARN (1,240)
Net profitPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV	2022ICPARNOV2022	ICPARNOV 400
NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV	2022ICPARNOV2022	ICPARNOV2022

RNOV2022ICPAIC) OProfit for the quarter, marginal costing OV2022ICPARNOV2022ICPARNOV

NOV2022ICPARNO V2022ICPARNO V20	Frw. PARNOV20	221 Frw. NOV20221
Sales 022 ICPARNO V2022 ICPARNO V2022 ICPARNO V2022 ICPARNO V	V2022ICPARNOV20	22 [3,200]OV2022I
Variable production costs ARNOV2022ICPARNOV2022ICPARNOV	1,760	22 CPARNOV202210
Less closing stocks (60*FRW 8) 2022ICPARNOV2022ICPARNOV	(480) _{RNOV20}	22ICPARNOV2022I
Variable production cost of sales 2022ICPARNOV2022ICPARNOV	V2022ICPARNOV20	22 ((1,280)) V2022I
Variable sales and distribution costs 160*FRW 4	V2022ICPARNOV20 V2022ICPARNOV20	22 (640) V20221

F2.1^v 2022ICPARNO v 2022ICPA

Total contribution 022ICPARNOV2022ICPARNOV2022ICPARN	OV2022ICPARNOV202	22 [1,280]OV2022I
Less;	OV2022ICPARNOV20	22ICPARNOV2022I
Fixed production costs incurred FRWr1,600/4 21CPARN	OV2400CPARNOV202	22ICPARNOV2022I
Fixed sales and distribution costs FRW 2,400/4 CPARN	OV2 <u>600</u> CPARNOV202	22ICPARNOV2022I
CNO V 2022 I CPARNO V 2022 I CPARNO V 2022 I CPARNO V 2022 I CPARN V NO V 2022 I CPARNO V 2022	OV20221CPARNOV202 OV20221CPARNOV202	(1,000)
Net profitParnov2022ICParnov2022ICParnov2022ICParn	OV2022ICPARNOV202	2210 280 nov20221

d) The difference in profit is subjected to the different valuations of closing stock. In absorption costing the 60 kgs of closing stock include absorbed fixed overheads of FRW120 (60*FRW 2), which are therefore costs carried over to the next quarter and not charged against the profit of the current quarter. In marginal costing, all fixed costs incurred in the period are charged against the profit.

RNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNO	DV2)22ICPARNO Frw 2I
Absorption costing profit	001 0020221CPARNOV 400
Fixed production costs carried forward in stock values ARNOV2022ICPARNO	0V2)221CPARNO <u>(120)</u> 1
Marginal costing profit CPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV	0V2)22ICPARNOV <u>280</u> I

QUESTION SIX

Marking Guide

RNOV 2022ICPARNO V 2022ICPARNO	Marks
Ra) v20221CPARNO v20221CPARNO v20221CPARNO v20221CPARNO v20221CPARNO v2	022ICPARNOV2022I
i) Award 1 Mark for clear definition break-even point and 1 mark for margin of safety	0221CPARNOV202 <mark>2</mark> 0221CPARNOV20221 0221CPARNOV20221
ii) Award 1 Mark for defined opportunity cost and 1 mark for sunk cost	022ICPARNOV202 2 1
iii) Award 2 Marks for candidate who has clearly explained CVP	022ICPARNOV2022 022ICPARNOV2022
Sub-total parnov20221cparnov20221cparnov20221cparnov20221cparnov2	022ICPARNOV202 6 1
(b) V2022ICPARNO V202ICPARNO V2	022ICPARNOV2022
Award 1Mark for well computed sales price per ticket ARNOV2022ICPARNOV2	022ICPARNOV2022 022ICPARNOV2022
Award 1 for calculated variable cost ICPARNOV2022ICPARNOV2022ICPARNOV2	022ICPARNOV202 1 1
Award 1 Mark for calculated contribution per unit	022ICPARNOV2022I
Award 1 Marks for calculated break-even point 20221CPARNOV20221CPARNOV2	022ICPARNOV202 $\overline{2}$
Award 1 Mark for candidate who has calculated sales value V2022ICPARNOV2	022ICPARNOV202 1 1
Sub-total da rnovence en ovence de la rnovence de l	022ICPARNOV2026
c) Calculation of margin of safety in unity and in percentage V2022ICPARNOV2	022ICPARNOV202 2 I
d) Award 1 Mark's candidate who calculated target sales NOV2022ICPARNOV2	022ICPARNOV2022
e) Award 1March each correct limitation of CVP outlined by candidate's	0221CPARNOV2022 0221CPARNOV2024
maxim 5 CPARNO V2022ICPARNO V2022ICPARNO V2022ICPARNO V2022ICPARNO V2	022ICPARNOV2022
Sub-Total ARNO V2022ICPARNO V202ICPARNO V202ICPARNO V202ICPARNO V202ICPARNO V202ICPARNO V202ICPARNO V202ICPARNO V202ICPARN	022ICPARNOV2028
R Total)22ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2	0221CPARNOV2(20

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Model Answer

Q6) a)

- i) **Break-even point** is the point at which total cost and total revenue are equal, i.e. "even". There is no net loss or gain, and one has "broken even", though opportunity costs have been paid and capital has received the risk-adjusted, expected return
- -Margin of safety is the area between the break-even point and the maximum sales. This is the area that the company can operate in and be certain of making a profit. It is usually classed as the amount of sales that a company can afford to lose before it gets into a loss making situation.
- ii) -Opportunity cost is regarded as the benefit foregone by choosing one alternative in preference to the next best alternative. ARNOV2022ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV20
- **-sunk cost** is a cost that has already been incurred and that cannot be recovered. In management decision-making, sunk costs are treated as bygone and are not taken into consideration when deciding whether to continue an investment project. 21CPARNOV20221CPARNOV2022ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV
- **iii)Cost Volume Profit analysis:** This involves an understanding of the relationship between the level of activity, costs and revenues. CVP analysis is a technique which uses cost behavior to identify the level of activity at which we have no profit or loss (break-even point). It can also be used to predict the profits or losses to be earned at varying activity levels (using the assumed linearity of costs and revenues).
- **b)** Break-even point =FC/Contribution per unit

Selling price per unit = $20,000 *1.25 = 25,000 \vee 202$

Contribution = Selling price per unit – Variable cost per unit

Variable cost = 20,000 + 1,000 = FRW 21,000

Contribution = 25,000 - 21,000 = FRW 4,000 per ticket

BEP Then is FRW 5,000,000/4,000 = 1,250 tickets

Sales value at break-even: 1,250*25,000 = FRW 31,250,000

- c) Margin of safety in unit = 1,450 1,250 = 200 tickets while margin of safety in percentage is 200/1.250*100 = 16%
- d) **Target sales** = (FC + target profit)/contribution per unit

Target sales = (5,000,000 + 4,000,000)/4,000 = 2,250 tickets

- e) Limitations of CVP analysis 20221CPARNOV20221CPA
 - Once costs and revenues have been determined, it is usually assumed that they will have a linear relationship.
 - Fixed costs will be constant over the relevant range
 - Variable costs will vary in direct proportion to volume

F2.1 20221CPAKNO v 20221CPAKNO

- 2ICPARI O Selling price will remain unchanged PARNOV2022ICPARNOV202
- The efficiency and productivity of the workforce remain constant.
- RNOV2022ICPARIO Break-even charts only hold good for a limited time-span V2022ICPARNOV2022ICPARNOV
- The income line may not be straight. A straight line implies that the manufacturer can sell any volume he likes at the same price.

QUESTION SEVEN

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NO V 2022 I CPARNO V I tem 0 2 2 I CPARNO V 2022 I CPARNO V 2022 I CPARNO V 2022 I CPARNO V 2022 I CPARNO V	Marks Marks
a) Award 1 mark for each correct causes of labour turnover explained up	2022ICPARNOV202 5 1
NOVto a maximum of 5 ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV	2022ICPARNOV2022I
b) Award 0.5 Mark for each correct solution suggested up to maxim 6 point	2022ICPARNOV2022I 2022ICPARNOV202 3 I
NOVfor 3 marks OV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV	2022ICPARNOV2022I
(NS) V 2022ICPARNO V 2022ICPAR	2022ICPARNOV2022J
Time allowed NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV	2022ICPARNOV2022 2022ICPARNOV202
Time saved ARNO V2022ICPARNO V2022ICPARNO V2022ICPARNO V2022ICPARNO V	2022ICPARNOV20211
NOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV2022ICPARNOV Basic pay parnov2022ICParnov2022ICParnov2022ICParnov2022ICParnov2022ICParnov	2022ICPARNOV2022I
Bonus 22 ICPARNO V 2022 ICPARNO V 20	2022ICPARNOV202 1 1
Gross pay Parnov20221CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV	2022ICPARNOV2027
(d) v2022icrakno v2022icrakno v2022icrakno v2022icrakno v2022icrakno v2022icrakno v	20221CPARNO V 20221 20221CPARNO V 20221
Calculation of gross pay for each employee (0.5Mark*3) NOV2022ICPARNOV	2022ICPARNOV2 1 2 5 1
Calculation of tax deduction (0.5Mark*3)	2022ICPARNOV29251
Calculation of pension deduction (0.5Mark*3) _{V2022ICPARNOV2022ICPARNOV}	2022ICPARNOV2 1 2 5 1
Deduction of Salary advance (0.5Mark*2) NOV2022ICPARNOV2022ICPARNOV	2022ICPARNOV20211
Calculation of net pay for each employee (0.5Mark*3)	2022ICPARNOV2022
(Total) 022ICPARNO V 2022ICPARNO V 2022ICPARNO V 2022ICPARNO V 2022ICPARNO V	2022ICPARNOV2(20)
NOV20221CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV	2022ICPARNOV2022

77 1 2022ICPARNO V2022ICPARNO V

Model Answer

- a) Some employees will leave their job and go to work for another company or organization. Sometimes the reasons are unavoidable. PARNOV2022ICPARNOV20
 - Illness or accidents: When staff suffered an accident, which results into inability to work, he/she will automatically leave the company leaving vacant position
 - A family move away from the locality: Geographical mobility results into job turnover as the staff prefer to work near home to cater for their families
 - Marriage, pregnancy or difficulties with child care provision: Some women prefer to leave work to take care of their new baby PARNOV2022ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV202ICPARNOV2
 - Retirement or death: When a staff attain retirement age, he/her job position became vacant

Other causes of labor turnover are to some extent controllable.

- Paying a lower wage rate than is available elsewhere. Like in this era where the price is changing frequently, the staff sear for high paid jobs and leave lower paid job
- Requiring employees to work in unsafe or highly stressful conditions.
- Requiring employees to work uncongenial hours.
- Poor relationships between management and staff.
- Lack of opportunity for career enhancement. 2022 ICPARNOV2
- Requiring employees to work in inaccessible places (eg no public transport).
- Discharging employees for misconduct, bad timekeeping or unsuitability.
- **b)** The prevention of high labour turnover

Labour turnover will be reduced by the following actions:

- Paying satisfactory wages
- Offering satisfactory hours and conditions of work
- Creating a good informal relationship between members of the workforce
- Offering good training schemes and a well-understood career or promotion ladder
- Improving the content of jobs to create job satisfaction
- Proper planning so as to avoid redundancies 2022
- Investigating the cause of an apparently high labour turnover
- c) Gross pay = basic pay + bonus

Time Allowed = 300 units * 3 minutes = 900 minutes/60 = 15 hours

Time Taken = 8 hours

Time Saved = 15 hours -8 hours = 7 hours

F2.1^v 2022iCPARNO v 2022iCPA

 $21CPA/Basicpay = 8*FRW.3,000 \pm FRW.24,000 RNOV20221CPARNOV20221CPARNOV20221CPARNOV$

Bonus = $\frac{1}{2}$ (Time saved*Wage rate) = (7*FRW 3,000)*1/2 = FRW 10,500

21CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV20221CPARNOV202

Gross pay = FRW 24,000 + 10,500 = FRW 34,500 see basic pay calculated

d)

Name Of Employees	Basic PARN Pay ICPARN V2022ICPARN	Overtime pays 21CPA	Gross pay RNOV2022ICP/ RNOV2022ICP/	Tax ₂₀₂₂ 30% ²⁰²² RNOV2022	RSSB 3%RNOV	Salary advance	Net pay 1 OV2022ICI OV2022ICI
RNOV2022ICPARNO RNOV2022ICPARNO	FRW	FRW _{21CPA}	FRW	FRW	FRW	FRW	FRW
Gimmy Kalisa	/2(270,000)	OV2022ICI 0 A	RNO270,000	R 81,000	ICP8,100v	2022ICPARN	180,900
Emmy Mugisha	270,000	45,000	315,000	94,500	9,450	30,000	181,050
Tukunde Elise	225,000	10V2022ICPA	225,000	67,500	6,750	20210,000	140,750

Note: Emmy worked 20 extra hours above 180 hours. Overtime pays for Emmy = 200 hours – 180 hours*1500*1.5=RWF 45,000

END OF MARKING GUIDE AND MODEL ANSWERS