



ICPAR  
Unlimited possibilities

---

---

**CERTIFIED ACCOUNTING TECHNICIAN  
STAGE 1 EXAMINATIONS**

**S1.2: PRINCIPLES OF COSTING**

**DATE: MONDAY 27, NOVEMBER 2023**

---

---

**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

**A business can be set up in different ways depending on its nature, size and its organisation, based on that which of the following best describes the term limited liability Company?**

- A A business where the owner is the one who contributes the capital to the business and controlled by one person.
- B A business whose owners are shareholders who are usually completely different from its management and shareholders' liability is only limited to the share capital contributed
- C A business whose owners become liable in case of bankruptcy.
- D A business where arrangement between individuals to carry on business in common with a view towards profit.

**(2 Marks)**

---

### QUESTION TWO

**Financial statements are required by company law to assess the success and management of the business, based on that which one of the following are not components of financial statement.**

- A Statement of profit or loss
- B Statement of cost analysis
- C Statement of financial position
- D Statement of cash flow

**(2 Marks)**

---

### QUESTION THREE

**Which of the following transaction is classified as revenue expenditure?**

- A Buying goods for resale
- B The purchase of furniture for business long term use
- C Withdrawing money from the bank for personal use
- D Injection of money in business for the fast time

**(2 Marks)**

---

## QUESTION FOUR

**Which of the following statement is not true?**

- (i) Financial accounting deals with reporting, accounting and other information to those outside the business while management account takes the same information and uses it to provide information to the people inside the business in order to run efficiently.
- (ii) Financial accounts present an essential historic picture of the past operation of the business.
- (iii) The format of management accounts is determined by local law, by international standards and international reporting standard for comparability.
- (iv) It is legal requirement to prepare management accounts

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

**(2 Marks)**

---

## QUESTION FIVE

The Management of the business must ensure that the business is run well and efficiently as possible. **Which of the following is a principal role of management in the organization?**

- A Decision making, Accounting, reporting
- B Analyzing planning, controlling
- C Decision making, Planning, controlling
- D None of the above

**(2 Marks)**

---

## QUESTION SIX

**Which of the following relates to the management long term decision making?**

- (i) How many products to produce
- (ii) How to advertise and market the product
- (iii) Where to locate factories, warehouse
- (iv) Whether or not to expand the business

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

**(2 Marks)**

---



**The following information relates to questions 7 to 10.**

Akanoze Company Limited is a registered Company located in Nyanza District that deals in the production and sale of Maracuja juice (Kararyoshye). One unit of Kararyoshye requires 2 kg of sugar at cost of FRW 100 per Kg. Its estimated selling price is FRW 600. The management of Akanoze Company Limited failed to determine if it was making profit or loss due to poor budgeting. They have approached Munyehirwe as CAT student to help them prepare different budgets.

The budgeted Units relating to the Month of June 2022 were as follows:

Description	Quantity
Sales of Kararyoshye Juice	25,000
Opening inventory of Kararyoshye Juice	5,000
Estimated Closing Inventory of Kararyoshye Juice	7,800
Opening Inventory of Raw Materials	Kg 15,000
Closing inventory of raw materials	Kg 21,000

#### **QUESTION SEVEN**

**What would be the Production budget unit of Kararyoshye for the month of June?**

- A 32,800 Units
- B 25,000 Units
- C 27,800 Units
- D None of the above

**(2Marks)**

#### **QUESTION EIGHT**

**What will be the raw material utilization budget for the month of June to meet the required production?**

- A 55,600 Kg
- B 50,000 Kg
- C 65,600 Kg
- D None of the above

**(2 Marks)**

### QUESTION NINE

**What will be the budgeted raw material purchases in quantity for the month of June to meet the required production?**

- A 76,600 Kg
- B 61,600 Kg
- C 40,600 Kg
- D None of the above

**(2 Marks)**

---

### QUESTION TEN

**What will be the Estimated Sales revenue budget for Month of June?**

- A FRW 15,000,000
- B FRW 16,680,000
- C FRW 19,680,000
- D None of the above

**(2 Marks)**

---

### QUESTION 11

**Which one of the following costs is classified as selling and distribution when they are classified by function?**

- A Rent of office building in town
- B Delivery costs to customers
- C Wages of employees supervising the production workforce
- D Factory heating and lighting

**(2 Marks)**

---

### QUESTION 12

**Which of the following statements best describes an indirect cost?**

- A A cost incurred and cannot be traced to a produced product or provided service.
- B A cost which is directly shared by one or more cost centre.
- C A cost that is incurred by the head office and recorded in their books of accounts.
- D Material or labour costs which can be directly identified with making or providing units of a particular product or service

**(2 Marks)**

---



**The following information relates to questions 13 to 15**

Jemo&Son Ltd is a manufacturing company located in Kigali Special Economic Zone producing high quality mattress. Management accountant have approached you as a CAT student to help them in determining prime cost, total cost of production of this product:

The following unit cost were extracted from their standard cost card.

Direct material(powder) 10 kg per mattress, FRW 100 per kg

Direct labor 0.5 hour per mattress, FRW 1,000 Per labor hour

Direct expense was FRW 700 per mattress

Other monthly variable costs was FRW 250,000. Production for the month of January 2023 was 500 mattresses. Due to the increase in customer demands, the production for the month of February has to be increased by 30 % and the cost of direct material has to be increase by 50%.

**QUESTION 13**

**What should be Jemo& Son Ltd.'s prime costs of the month January?**

- A FRW 750,000
- B FRW 1,100,000
- C FRW 850,000
- D None of the above

**(2 Marks)**

---

**QUESTION 14**

**What would be the unit total cost of production in the month of January?**

- A FRW 2,200
- B FRW 2,700
- C FRW 2,000
- D None of the above

**(2 Marks)**

---

**QUESTION 15**

Based on the above information, **what would be the total production cost in the month of February**

- A FRW 1,680,000
- B FRW 1,755,000
- C FRW 2,005,000
- D None of the above

**(2 Marks)**

---

### QUESTION 16

**What makes overhead cost?**

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

**(2 Marks)**

---

### QUESTION 17

**Which of the following statements best describes a joint expense?**

- A Expenses of the organisation incurred by a number of cost centre jointly
- B They are all indirect material and indirect labour cost incurred in production department?
- C They are expense which cannot be directly identified with the production or producing service
- D None of the above

**(2 Marks)**

---

**The following information relates to questions 18 and 21**

Huye Ltd has 4 manufacturing departments: cutting, assembly, finishing& painting, and selling and distribution department. Recently the company incurred the following production expenses.

Factory rent FRW 1,200,000

Factory power FRW 400,000

Repair cost of machinery in cutting department FRW 100,000

All four department are housed within the same building which has a total floor space of 12,000 square meters. The rent is apportioned according to the floor space occupied. The following are the square meters occupied by each department:

Cutting	5,000 sqm
Assembly	3,000 sqm
Finishing & painting	1,500 sqm
Selling and distribution	2,500 sqm

It is estimated that 40% of the power is in cutting department, 15% in assembly Department, 15% in finishing & painting, 30 % in selling and distribution department



### QUESTION 18

**What will be a cost of production allocated to Assembly department?**

- A FRW 300,000
- B FRW 360,000
- C FRW 60,000
- D None of the above

**(2 Marks)**

---

### QUESTION 19

**What will be a cost of production allocated to Cutting department?**

- A FRW 660,000
- B FRW 760,000
- C FRW 500,000
- D None of the above

**(2 Marks)**

---

### QUESTION 20

**What will be the cost of production allocated to Finishing& painting department?**

- A FRW 210,000
- B FRW 150,000
- C FRW 60,000
- D None of the above

**(2 Marks)**

---

### QUESTION 21

**What will be a cost of production allocated to selling and distribution department?**

- A FRW 250,000
- B FRW 370,000
- C FRW 120,000
- D None of the above

**(2 Marks)**

---



## QUESTION 22

**Which of the following expenses would be specific to a single cost centre rather than joint cost centres?**

- A Repair of machinery used by one production line only
- B Housing rent of workshops for Cutting department and selling and distribution department
- C Stationery used by the administration and payroll department
- D None of the above

(2 Marks)

---

## QUESTION 23

**Which of the following centre is described as: “A manager has responsibility for the cost incurred and revenues earned by area of the business”?**

- A Cost centre
- B Revenue centre
- C Profit centre
- D An investment centres

(2 Marks)

---

**The information below will be used to answer question 24 and 25**

A production worker is paid FRW 250,000 on monthly basis, plus an extra FRW 1,000 for each unit produced during a particular month. During the month of June 2022, company expected to produce 200 units but a worker has managed to produce 250 units because of working extra hours in the weekend.

## QUESTION 24

**This labor cost is best described as which of the following?**

- A Variable cost
- B Step fixed cost
- C Fixed cost
- D Semi variable cost

(2 Marks)

---

## QUESTION 25

**Based on the above information, what is the remuneration cost of a production worker at the end of the month**

- A FRW 250,000
- B FRW 300,000
- C FRW 450,000
- D FRW 500,000

(2 Marks)

---

## QUESTION 26

Inventory is a collective term used to describe items held by the business. **Which of the following statements is not true when you describe inventory?**

- A Raw materials are inventories kept by a manufacturer so that materials are available for transfer to the production line when they are needed
- B Finished goods are kept in inventory so that demand from customers can be met and to avoid problems such as loss of goodwill
- C Finished goods have to be completed and ready for sale, plus bought-in goods purchased for resale
- D Work in progress is kept in inventory so that demand from customers can be met on time

(2 Marks)

## QUESTION 27

Most of the business keep track of the quantities of raw material that they have in inventory by maintaining an inventory record for each type of material held. As a CAT student, **which one of the following are not types of record related to inventory information**

- A Material requisition form
- B Inventory Cards
- C Store's ledger accounts
- D None of the above

(2 Marks)

**The following information relates to questions 28 to 30**

Byangabo Ltd is a company that sells and distributes Irish potatoes in Musanze district. **The following transactions were recorded in December 2022,**

Date	Transaction type	Quantity (kg)	Unit purchase price
			<b>FRW</b>
1-Dec-22	Opening inventory	200	45,000
3-Dec-22	Receipt	400	98,000
6-Dec-22	issue for sell	400	
9-Dec-22	Receipt	400	102,000
15-Dec-22	Issue for sell	360	
21-Dec-22	Receipt	450	100,000
26-Dec-22	Receipt	600	180,000
31-Dec-22	Issue for sell	350	

There was no further transaction after 31 December 2022 because the owner took their family to new year festival ceremony. Selling price was FRW 500 per unit



### QUESTION 28

**What would be the value of the closing stock using first-in-first-out (FIFO) method of inventory valuation**

- A FRW 253,556
- B FRW 255,556
- C FRW 251,556
- D None of the above

(2 Marks)

---

### QUESTION 29

**Considering information in 28, what was the cost of stock issued using FIFO?**

- A FRW 271,444
- B FRW 269,444
- C FRW 273,444
- D None of the above

(2 Marks)

---

### QUESTION 30

**Considering information in 28, What would be gross profit for December using FIFO method**

- A FRW 281,556
- B FRW 283,556
- C FRW 285,556
- D None of the above

(2 Marks)

---

### QUESTION 31

**Which of the following is not among the Inventory valuation method?**

- A First In, First Out
- B Last In, Last Out
- C Weighted average pricing
- D Last In, First Out

(2 Marks)

---

### QUESTION 32

Nzabamwita Ltd is a registered company located in Gikondo Segem. They import fish from Dar-Salam to Kigali- Rwanda. As a CAT student, **which method of inventory valuation you can advise Nzabamwita to adopt?**

- A First In, First Out
- B Last In, Last Out
- C Weighted average pricing
- D Last In, First Out

(2 Marks)

---

### QUESTION 33

Karera Ltd is a company located in Kigali Special Economic zone that manufacture wooden furniture (made in Rwanda) products. Their management accountant manages labor costs by classifying the transaction by nature. According to that, **what would be a labour cost that would be classified as direct cost?**

- A Wages of the employees making furniture
- B Maintenance cost of machinery
- C Sales staff salaries
- D Salaries of watchman in the evening

(2 Marks)

---

### QUESTION 34

According to labor remuneration methods, **which of the following statement is not true?**

- A Time rate remuneration involves paying a bonus if the output is better than expected
- B Piecework remuneration is an amount paid for each unit or task successfully completed, acting as incentive to produce more
- C A time saved bonus is paid if the employee performs a task in a shorter time than the standard time allowed
- D A discretionary bonus system occurs when employer judges that the employee deserves one

(2 Marks)

---

### The following information relates to questions 35 and 37

Urubaho Co Ltd is a company located in Gikondo which manufacture local sofa chair. Its employs 4 different employees who are paid based on fixed monthly salary of FRW 250,000 and addition incentives to employee who produce more than expected as follows: FRW 10,000 per unit is paid for production between 20 units to 30 units and FRW 15,000 per unit is paid for production between 30 units up to 40 units

The quantity of sofa chairs produced by each employee at the end of the month of January 2022 are shown in the table below:



	<b>Names</b>	<b>Expected production unit</b>	<b>Actual production</b>
1	Didier	20 Chairs	29
2	Karekezi	20 Chairs	19
3	Kayonga	20 Chairs	35
4	Murinzi	20 Chairs	20

### **QUESTION 35**

**What is the gross wage of Kayonga?**

- A FRW 400,000
- B FRW 425,000
- C FRW 475,000
- D None of the above

**(2 Marks)**

### **QUESTION 36**

**What is the gross wage of Didier?**

- A FRW 250,000
- B FRW 340,000
- C FRW 385,000
- D None of the above

**(2 Marks)**

### **QUESTION 37**

**What is the total cost of gross wage Urubaho Co Ltd pay at the end of January 2022?**

- A FRW 1,225,000
- B FRW 1,265,000
- C FRW 1,285,000
- D None of the above

**(2 Marks)**

**Use the information below to answer question 38 and 39**

Kazi Ni Kazi Ltd is a registered company offering the repair of electronic equipment in Kigali city. During the year ended 31 December 2022, the owner of Kazi Ni Kazi Ltd attended a workshop in Dubai themed business finance in economic recession. In Dubai he bought machinery equipment for repair of computer and promise supplier to pay him after 2 months.

**QUESTION 38**

**Which type of transaction undertaken by owner of KAZI Ni KAZI Ltd when he bought machinery equipment from Dubai?**

- A Trade in
- B Capital raised
- C Credit transaction
- D None of the above

**(2 Marks)**

---

**QUESTION 39**

**The item bought in Dubai by owner of Kazi Ni Kazi is?**

- A Revenue expense
- B Capital expenses
- C Capital income
- D None of the above

**(2 Marks)**

---

**QUESTION 40**

Ryumugabe wants to register a business in Rwanda Development Board (RDB), the company will be operating in selling and distribution of handbags to women. Unfortunately, he is not aware in which sector or business environment to locate the business. He approached you as a CAT candidate to advise him on business type to select. **Which a business sector Ryumugabe will register his company?**

- A Manufacturing organization
- B Retail organization
- C Marketing organization
- D Service organizations

**(2 Marks)**

---



### QUESTION 41

Which of the following is not the objectives of financial accounting?

- A Recording of accounting transaction
- B Classify the accounting transaction
- C Providing information to shareholders for decision making
- D Determination of Advertising cost

(2 Marks)

---

The following information relates to questions 42 and 43

MUNYANEZA Ltd has record the following data in the most recent period

Year	Total cost of production	Volume of production
	FRW (000)	Unit
2019	135,000	700
2020	183,000	1,050
2021	195,500	1,200
2022	195,000	1,250

### QUESTION 42

What is the estimated variable production cost per unit if high-low method is applied?

- A FRW 122
- B FRW 110
- C FRW 111
- D None of the above

(2 Marks)

---

### QUESTION 43

What is best estimate of the company's total cost should be expected in 2023 for activity level of 1,500 units?

- A FRW 223,277
- B FRW 222,500
- C FRW 225,500
- D None of the above

(2 Marks)

---

#### QUESTION 44

**Direct cost refers to:**

- A All material or labor cost which can be directly identified with making or providing units of a particular product or service
- B All cost incurred during the production of a given product within a manufacturing firm
- C All Material, labor or expenses which cannot directly be identified with the production of product
- D All material cost, labor cost, and expense incurred in production of goods or providing a services

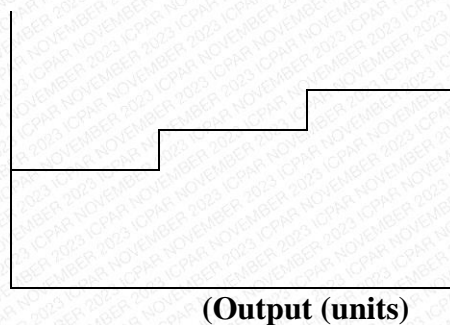
(2 Marks)

#### QUESTION 45

A Cost behavior is the way in which costs are affected by changes in the volume of output.

**The graph below represents which type of cost?**

**Total cost**



- A Semi variable costs
- B Variable costs
- C Step fixed Cost
- D Fixed cost

(2 Marks)

#### QUESTION 46

**A document completed when materials requested by production department is?**

- A Inventory Card
- B Purchase Order form
- C Materials requisitions
- D Goods received note

(2 Marks)



## QUESTIONS 47

For easy way of keeping records in the store, different items are given a code based on company own structure, **which of the following are not methods of coding systems?**

- A Alphabetic coding systems
- B Numeric coding systems
- C Alpha-numeric coding system
- D Engraving coding system

(2 Marks)

## The following information relates to questions 48 to 50

Songambere Ltd is a company located in Huye, they have emphasized on control mechanism with the company. For them, any variance in excess of 5 % of budget is deemed to be significant and should be reported to relevant department manager for review and appropriate action. The following information for the month of March 2023 was presented to you for analysis as CAT student.

Cost type	Budget	Actual
	FRW (000)	FRW (000)
Materials	25,500	26,500
Labour cost	11,250	12,350
Production cost	5,300	5,160
Administration overheads	6,200	5,900
Selling and distribution	2,660	2,460

## QUESTION 48

**What is the production cost variance for the period?**

- A FRW 1,000,000 A
- B FRW 140,000 A
- C FRW 140,000 F
- D FRW 1,000,000 F

(2 Marks)

## QUESTION 49

**What is the Labor cost variance for the period?**

- A FRW 1,000,000 F
- B FRW 1,000,000 A
- C FRW 1,100,000 A
- D FRW 1,100,000 F

(2 Marks)

## QUESTION 50

**Which two variances would be considered as significant?**

- A Materia and labor
- B Labor and selling & distribution overhead
- C Material and administration overhead
- D Labor and production cost

**(2 Marks)**

---

**End of question paper**



**BLANK PAGE**

**BLANK PAGE**