
CERTIFIED PUBLIC ACCOUNTANT STAGE 2 EXAMINATIONS

S2.2: MANAGING COST AND CASHFLOWS

DATE: THURSDAY 28, NOVEMBER 2023
MARKING GUIDE AND MODEL ANSWERS

SECTION A

Marking Guide

No	Answer	No	Answer
Q 1	A	Q 26	A
Q 2	C	Q 27	C
Q 3	D	Q 28	B
Q 4	C	Q 29	B
Q 5	B	Q 30	B
Q 6	A	Q 31	A
Q 7	C	Q 32	A
Q 8	A	Q 33	A
Q 9	C	Q 34	A
Q 10	D	Q 35	D
Q 11	B	Q 36	A
Q 12	B	Q 37	A
Q 13	C	Q 38	D
Q 14	C	Q 39	D
Q 15	C	Q 40	A
Q 16	A	Q 41	C
Q 17	C	Q 42	D
Q 18	D	Q 43	D
Q 19	B	Q 44	B
Q 20	A	Q 45	A
Q 21	A	Q 46	C
Q 22	C	Q 47	C
Q 23	A	Q 48	B
Q 24	A	Q 49	D
Q 25	A	Q 50	A
2 marks for every Correct answer, Total of 100 Marks			

Model Answers

QUESTION ONE

The correct answer is A

overtrading is where a business expands more quickly than its funds allow,

Option B is not correct as it describes overcapitalization,

Option C and D are not correct as those are ways to reduce risk of overtrading.

QUESTION TWO

The correct answer is C

C is correct as it's described Fiduciary duty not key element of Corporate Governance, Option A, B&D are all key elements of corporate governance.

QUESTION THREE

The correct answer is D

D is correct as fixed interest investments protect the return available to investor when interest rates reduce.

A is not correct because when interest rates are rising, the investment becomes more attractive

B is not correct because when interest rates are rising, the investor who has taken out fixed interest investment will suffer as they are unable to take advantage of the increasing return available.

C is not correct because when interest rates are rising, the demand for borrowing reduces.

QUESTION FOUR

The correct answer is C

C is correct because Purchase of inventory using cash cannot cause the discrepancy as it affects both cash and profit.

A is not correct because both Prepayments, Depreciations and purchases of non-current assets can cause the discrepancy between profit and cash,

B is not correct because it's containing the reason for discrepancy like Depreciation

D is not correct because C was there

QUESTION FIVE

The correct answer is B

B is correct because it only takes saved interest minus early payment fee of 0.02 (3.75%-2%) *60b which is 1.05 billion.

A is not correct because it takes saved interest plus non relevant cashflow from investment decision of 1.5% (3.75%+1.5%) *60b which is 3.15b.

C is not correct since it only takes saved interest as net benefit

D is not correct because it takes into consideration non-relevant cash flow from investment decision (3.75%-1.5%) *60b which is 1.35b

Hint: cashflow from alternative investment decision is not relevant due to decision has taken already

3.75% (15/4)

QUESTION SIX

The correct answer is A

A is correct as computed as follow: Cash collected in May will be **FRW 68,000,000** (30% of May Sales which is cash sales (30%* FRW 80,000,000=FRW 24,000,000) plus 20% of Credit sales (70% * FRW 80,000,000 * 20% = FRW **11,200,000**) plus 35% of April Credit sales (70% * FRW 70,000,000 *35% = FRW 17,150,000) plus 45% of Credit sales of March (70% * FRW 50,000,000 *45% = 15,750,000).

B is not correct as it considered only cash sales.

C is not correct as it only considered Credit sales of May 2022

D is not correct as it omitted cash sales of May 2022

QUESTION SEVEN

The correct answer is C

C is correct and computed as follow: sales of march which will be received in April is 35% of march's credit sales (70% * FRW 50,000,000 *35%) which is **FRW 12,250,000**.

A is not correct because it only considered Credit sales of March 2022

B is not correct because it only considered cash sales of March 2022

D is not correct as it is amount of march sales which will be received in May 2022 not in April

QUESTION EIGHT

The correct answer is A

A is correct because only replacement cost is relevant since the material Z is regularly used by the company.

B is not correct because it considered cost of the existing inventory without considering the price on the market.

C is not correct because it assumed to use the existing inventory without considering that material is regular used so 600 kgs has been valued at FRW 500 and remaining at FRW 700.

D is not correct since it considered resale value which is not relevant for the special order.

QUESTION NINE

The correct answer is C

C is correct as this net present value of the project to acquire new player, it computed as taking present value above of FRW 203,751,451 minus cost of the project FRW 200,000,000 which is **FRW 3,751,451**.

A is not correct as this is an estimated cash inflow not net wealth, this is computed as follow:

Period	Cashflow	Growth	Estimated Cashflow
1	60,000,000	$(1+0.05)^0$	60,000,000
2	60,000,000	$(1+0.05)^1$	63,000,000
3	60,000,000	$(1+0.05)^2$	66,150,000
4	60,000,000	$(1+0.05)^3$	69,457,500

258,607,500

B is not correct because present value of all estimated cash inflow not net wealth, this is computed as follow:

Period	Cashflow	Discounting factor	Present value
1	60,000,000	0.90909	54,545,455
2	63,000,000	0.82645	52,066,116
3	66,150,000	0.75131	49,699,474
4	69,457,500	0.68301	47,440,407

203,751,451

D is not correct as this is cost of the project not net wealth from the project.

QUESTION 10

The correct answer is D

D is correct because it takes into consideration all months from November 2021 up to February 2022 ($4 \times \text{FRW } 15,000,000$) + $\text{FRW } 50,000,000$ which is **FRW 110,000,000**

A is not correct because it is October's sales not forecasted February 2022 sales

B is not correct because it doesn't consider season variation of December up to February 2022, it has included only one month variation.

C is not correct because it subtracts variation instead of adding it to the actual

QUESTION 11

The correct answer is B

B is correct because it has excluded inventory in computation as follow

A is not correct because this is current assets ratio not Acid test as it has considered all current asset and liability.

Total current assets minus inventory divided by Current liability ($\text{FRW } 148,000 + \text{FRW } 39,600$) / ($\text{FRW } 99,600 + \text{FRW } 64,500$) which 1.14:1

C is not correct because it has included two mistakes; one it has not excluded inventory in current and second it has not considered overdraft as current liability.

D is not correct because is doesn't include overdraft in current liability

QUESTION 12

The correct answer is B

B is correct because the main factor to be considered when determining how the surplus of fund are invested is Risk, return and liquidity only.

A is not correct because it included Tax which is not main factor to be considered when determining how to invest surplus fund, it might be the factor but not main.

C is not correct because it includes tax which is not the main factor.

D is not correct because only tax is not main factor but others are the main factors

QUESTION 13

The correct answer is C

C is correct Answer which is calculated as half third quarter's expenditure plus half of last quarter's expenditure $(\text{FRW } 480,000,000 \times 1.07 \times 1.07) / 2$ plus $(\text{FRW } 480,000,000 \times 1.07 \times 1.07 \times 1.07) / 2$ which is **FRW 568,786,320**.

A is not correct because the forecasted is expenditure of last quarter and not forecasted cash out flow for the last quarter, this forecasted as $(\text{FRW } 480,000,000 \times 1.07 \times 1.07 \times 1.07)$ which is **FRW 588,020,640**

B is not correct because it omitted the half of the last quarter's expenditure, it is computed as $(\text{FRW } 480,000,000 \times 1.07 \times 1.07) / 2$ which is **FRW 294,010,320**.

D is not correct because it omitted a half of third quarter and it is calculated as $(\text{FRW } 480,000,000 \times 1.07 \times 1.07 \times 1.07) / 2$ which is **FRW 274,776,000**.

QUESTION 14

The correct answer is C

C is correct because investment Centre is an area of the business for which both revenue, cost and net assets can be ascertained.

A is not correct because this is the area of the business for which costs are to be gathered.

B is not correct because those are the areas of the business for which costs or revenues are gathered and compared to budgets for control purposes.

D is not correct because it is area of the business for which both revenue, cost can be ascertained and therefore a profit or loss can be determined.

QUESTION 15

The correct answer is C

C is correct because using marginal costing fixed production is not considered in production, it is taken as other costs and not production so the net profit using margin costing is computed as follows:

Marginal Costing			
sales		(1,300*600)	780,000
Opening inventory	(500*250)	125,000	
Production	(1,000*250)	250,000	
Closing	(200*250)	(50,000)	(325,000)
Gross Profit			455,000
Fixed Cost			(350,000)
Net profit			105,000

A is not correct because it doesn't take into consideration closing inventory of 200 units @250 per unit, it was computed as (sales less (opening inventory plus production cost) less total fixed cost, (1300* FRW 600) -((500+1000) *FRW 250)-FRW 350,000 which is FRW 55,000.

B is not correct because it is gross profit instead, it omitted fixed cost of FRW 350,000.

D is not correct because this is net profit using absorption costing, calculated as follow:

Absorption Costing			
sales		(1,300*600)	780,000
Opening	(500*430)	215,000	
Production	(1,000*430)	430,000	
Closing	(200*430)	(86,000)	(559,000)
Gross Profit			221,000
Fixed Cost		(350,000-180,000)	(170,000)
Net profit			51,000

Production unit cost ((1800,000/1,000) +250) equal to FRW 430 per unit

QUESTION 16

The correct answer is A

A is correct because under absorption costing both variable and fixed production cost form a part of production cost, so it is calculated as opening (((180,000/1,000) +250) *500 units which is FRW 215,000 and Closing inventory (((180,000/1,000) +250) *200(500+1,000-1,300) which is FRW 86,000.

B is not correct because in both opening and closing inventory only variable cost was considered.

C is not correct because closing inventory is for marginal not absorption costing

D is not correct because opening inventory value is for marginal not absorption costing.

QUESTION 17

The correct answer is C

C is correct because only difference happens when assessment is being done on specific period however, in the long run, total profit for a business will be the same whether marginal costing or absorption costing is used.

A is not correct because if the opening and closing inventory volumes are the same, marginal costing and absorption costing will give the same profit figure. This is because the total cost of sales during the period would be the same, no matter how it is calculated.

B is not correct because if there are changes in inventories during a period, so that opening inventory volumes are different to closing inventory volumes, marginal costing and absorption costing give different results for profit obtained.

D is not correct because in absorption costing it is **not** necessary to distinguish variable costs from fixed costs.

QUESTION 18

The correct answer is D

D is correct because service cost used 2,500 hours which represents 12.5% ($2,500/20,000$) of total hours spent so allocated overhead will be ($12.5\% * \text{FRW } 300,000,000$) which is FRW 37,500,000.

A is not correct because this is the allocated overhead for P1 Calculated as ($8,000 \text{ hours}/20,000 \text{ hours}) * \text{FRW } 300,000,000$ which is FRW 120,000,000.

B is not correct because this is the allocated overhead for P2 Calculated as ($6,000 \text{ hours}/20,000 \text{ hours}) * \text{FRW } 300,000,000$ which is FRW 90,000,000.

C is not correct because this is the allocated overhead for P3 Calculated as ($3,500 \text{ hours}/20,000 \text{ hours}) * \text{FRW } 300,000,000$ which is FRW 52,500,000.

QUESTION 19

The correct answer is B

B is correct because additional overhead reapportioned from service department will be shared on ratio 2:3:1 so P2 will have a half of overhead apportioned to service department which is ($3/6 * \text{FRW } 37,500,000$) FRW 18,750,000.

A is not correct because this is the allocated overhead for P2 Calculated as (6,000 hours/20,000 hours) *FRW 300,000,000 which is FRW 90,000,000.

C is not correct because this is total overhead for P2 not reapportioned overhead from service cost Centre, this normally includes the original overhead of P2, it is calculated by adding initial apportioned overhead with service reapportioned to P2 ((8,000 hours/20,000 hours) *FRW 300,000,000) +(3/6*FRW 37,500,000) which is FRW 108,750,000.

D is not correct because it assumed that all service overheads will be reallocated to P2 without taking into consideration the sharing ratio.

QUESTION 20

The correct answer is A

A is correct because the present value of amount should be always less than undiscounted amount, and this uses non annuity factor of second year (FRW 5,000,000* 0.925) which is FRW 4,622,781.

B is not correct because it discounted using annuity yet this is not repetitive cashflow.

C is not correct because it is future value not present value. Only future value use compounding,

D is also not correct because it is future value for repetitive cashflow.

QUESTION 21

The correct answer is A

A is correct answer, this was calculated as (sales- Variable cost)/unit sold (FRW 15,360,000- FRW 8,960,000)/256,000 which is FRW 25 per unit.

B is not correct because this is variable cost per unit not contribution per unit

C is not correct because this is net profit per unit not contribution per unit.

D is not correct because this is sales per unit not contribution per unit.

QUESTION 22

The correct answer is C

C is correct Answer BEP is calculated as Fixed Cost/contribution per unit then if you want Break Even Point in revenue then we use contribution ratio, $(\text{FRW } 3,300,000 / ((\text{FRW } 15,360,000 - \text{FRW } 8,960,000) / \text{FRW } 15,360,000))$ which is FRW 7,920,000.

A is not correct as this is fixed cost instead of being break even sales

B is not correct because this is sales units required to make break even

D is not correct because this is sales revenue not BEP in sales revenue.

QUESTION 23

The correct answer is A

A is correct answer calculated as $(\text{Fixed Cost} + \text{Targeted profit}) / \text{contribution per unit}$, then $(\text{FRW } 3,300,000 + \text{FRW } 5,000,000) / 25$ which is 332,000 units.

B is not correct because it used contribution ratio instead of contribution per unit.

C is not correct because it omitted targeted profit in the formula by taking only fixed cost divided by contribution per unit.

D is not correct because it normal units given in the question.

QUESTION 24

The correct answer is A

A is correct answer because margin of safety is difference between actual sales and break-even sales revenue.

B is not correct because the difference between actual and budget profit is variance not margin of safety

C is not correct because margin of safety doesn't compare contribution, it included also variable part in comparison.

D is not correct because this is profit not margin of safety, when you compare contribution and fixed cost the difference is profit not margin of safety.

QUESTION 25

The correct answer is A

A is correct because the insurance of equipment should be based on the current value of the equipment in the books of accounts.

B is not correct because floor spare is the best for factory repair as the insurance doesn't cover the area it covers the value.

C is not correct because insurance deal with value of insured assets not volume that assets occupied,

D is not correct because not all the above answers were correct including volume and floor spare.

QUESTION 26

The correct answer is A

A is correct answer because heating use Volume per m^3 so overhead absorption rate (OAR) is calculated as taking total overhead divided by total volume which is $\text{FRW } 800,000 / (250 + 400 + 200 + 150)$ which is $\text{FRW } 800$ per m^3 .

B is not correct because it considered floor space as basis of apportionment instead of being volume.

C is not correct because it considered book value as basis of apportionment instead of being volume.

D is not correct because correct answers were there as $\text{FRW } 800$ per m^3

QUESTION 27

The correct answer is C

C is correct because it considered all overheads and calculated as $(\text{FRW } 1,265,000 + ((\text{FRW } 800,000 / (250 + 400 + 200 + 150) * 250))$ which is $\text{FRW } 1,465,000$.

A is not correct because it omitted overhead from both floor space and volume, this was calculated as $((\text{FRW } 600,000 / (230 + 40 + 50 + 80) * 230)$ which is $\text{FRW } 345,000$.

B is not correct because it omitted overhead apportioned for volume, this is calculated as $(FRW\ 2,300,000 / (1,200 + 750 + 450 + 600) * 1,200) + FRW\ 345,000$ which is FRW 1,265,000.

D is not correct because it omitted overhead from floor space and was calculated as $800,000 / (250 + 400 + 200 + 150) * 250 + FRW\ 345,000$ which is FRW 545,000.

QUESTION 28

The correct answer is B

B is correct because if actual overheads are less than absorbed overheads, then overheads are over absorbed.

A is not correct because if actual overheads are greater than absorbed overheads, then overheads are under absorbed not over absorbed.

C is not correct because If actual overheads are not greater than absorbed overheads, then overheads are neither over/ under absorbed because this statement doesn't specify which of which is greater or less than other.

D is not correct because over absorption of overheads occurs because the predetermined overhead absorption rates are based on forecasts. the statement in question has negativity "**not**"

QUESTION 29

The correct answer is B

B is correct as this is the best reason for valuing the inventories as follow, For the closing inventory figure in the statement of financial position and for the cost of sales figure in the statement of comprehensive income.

A is not correct because it included second statement "For the overhead to be allocated correctly on the inventory" which is not correct because inventory is not valued because of allocation of overhead.

C is not correct because it included the incorrect reason "For the accountant to know the variance causes"

D is not correct because two statements are not correct.

QUESTION 30

The correct answer is B

B is correct because all contributions earned for all products are considered and it is calculated as follow:

Details	X	Y	Z	Total
Selling Price	100	150	300	550
Material cost	-40	-80	-160	-280
Labour cost	-45	-30	-60	-135
Variable Overhead	-5	-30	-25	-60
Contribution	10	10	55	75
Units	5,000	4,500	7,000	16,500
Total Contribution	50,000	45,000	385,000	480,000

A is not correct because FRW 75 is total contribution per unit without considering the number of units per each product. Calculated as follow:

Details	X	Y	Z	Total
Selling Price	100	150	300	550
Material cost	-40	-80	-160	-280
Labour cost	-45	-30	-60	-135
Variable Overhead	-5	-30	-25	-60
Contribution	10	10	55	75

C is not correct because it omitted variable overhead as an expenditure and calculated as follow:

Details	X	Y	Z	Total
Selling Price	100	150	300	550
Material cost	-40	-80	-160	-280
Labour cost	-45	-30	-60	-135
Contribution	15	40	80	135
Units	5,000	4,500	7,000	16,500
Total Contribution	75,000	180,000	560,000	815,000

D is not correct because it has considered only variable overheads as expensed (all other like material cost and labor cost were omitted.)

QUESTION 31

The correct answer is A

A is correct because total available labor hours are less than labor hours required, this is computed as follow:

Details	X	Y	Z	Total
Direct Labour cost	45	30	60	135
Labour cost per hour	30	30	30	30
Hours per unit	1.50	1.00	2.00	4.50
Unit required	5000	4500	7000	16,500
Required Hours	7,500	4,500	14,000	26,000
Available hours				20,000
shortage hours				6,000

B is not correct because the available material is more enough to produce current product, refer to below computation:

Details	X	Y	Z	Total
Direct Meterial cost	40	80	160	280
Material cost per unit	20	20	20	20
units required per final product	2.00	4.00	8.00	14.00
Demand available	5000	4500	7000	16,500
Required material	10,000	18,000	56,000	84,000
Available materials				90,000
shortage hours				6,000

C is not correct because there was no maximum (capacity of Mulindi) demand in the question, only minimum was there.

D is not correct because all the answers provided are not correct, it included material and demand which are not limiting factors.

QUESTION 32

The correct answer is A

A is correct and computed as follows:

Details	X	Y	Z
Selling Price	100	150	300
Material cost	-40	-80	-160
Labour cost	-45	-30	-60
Variable Overhead	-5	-30	-25
Contribution	10	10	55

Labour hour per unit	1.5	1	2
Contribution Per limiting factor	6.6667	10	27.5

B is not correct because this is contribution per unit and not per limiting factor, for calculation refer to answer A

C is not correct because this is contribution per limiting factor for product X not for product Z

D is not correct because this is contribution per unit for product Z not contribution per limiting factor of product Z.

QUESTION 33

The correct answer is A

A is correct because since product Z has more contribution per limiting factor, it will be the first to be produced, below are calculations,

Details	X	Y	Z
Selling Price	100	150	300
Material cost	-40	-80	-160
Labour cost	-45	-30	-60
Variable Overhead	-5	-30	-25
Contribution	10	10	55
Labour hour per unit	1.5	1	2
Contribution Per limiting factor	6.6667	10	27.5
Ranking	3	2	1
Demand	5000	4500	7000
Hours required	7500	4500	14000
Hours Available	1500	4500	14000
Production	1000	4500	7000

B is not correct because it's units to be produced in second round, as mentioned in the table above, these are units for product Y.

C is not correct because it's units to be produced in last round due to insufficiency of Labor hours as mentioned in the table above, these are units for product X.

D is not correct because this is the total demand Mulindi is required to produce if there are sufficient hours.

QUESTION 34

The correct answer is A

A is correct answer because estimated future cost most of the time is basis for the now/current decision,

B is not correct because sunk cost is cost which has already been spent and cannot affect the decision of now,

C is not correct because notional cost is a non-cash item which can not affect decision

D is not correct because Current cost can affect decision but it is not the most relevant cost in decision making.

QUESTION 35

The correct answer is D

D is correct because current salary is not relevant for decision of starting his channel.

A is not correct because avoidable costs are costs that would not be incurred if the activity to which they relate did not exist, so salary is not avoidable cost.

B is not correct because opportunity cost is the value of the benefit sacrificed when one course of action is chosen, in preference to an alternative, so current salary is not opportunity cost.

C is not correct because incremental cost is an extra cost to be incurred in the future as the result of a decision taken now, so current salary is not incremental cost.

QUESTION 36

The correct answer is A

A is correct because Re-order level is calculated as maximum usage * maximum lead time, so maximum usage items were 500 units and maximum lead time is 14 so Re-order level is (14×500) 7,000 units.

B is not correct because it used minimum usage instead of maximum.

C is not correct because it used both minimum usage and minimum lead time instead of both maximum lead time and maximum usage.

D is not correct it used minimum lead time and maximum usage instead of using maximum lead time.

QUESTION 37

The correct answer is A

A is correct because economic order quantity (EOQ) is calculated as $EOQ = \sqrt{2cd/ch}$ where C is ordering cost (20 per unit), D is annual demand (24,000 units) and Ch is holding cost (2 per unit) so $\sqrt{2 \times 24,000 \times 20 / 2}$ which is 400 units.

B is not correct because it omitted square roots where this is only $2cd/ch$

C is not correct because it omitted both dividing with holding cost and square roots, it only considered $2cd$. $2 \times$ ordering cost $\times$ annual demand only.

D is not correct because this is only annual demand $\times$ ordering cost which was not the case in the question.

QUESTION 38

The correct answer is D

D is correct because purchases don't form part in calculations of Maximum usage level which is calculated as **reorder level + reorder quantity – (minimum usage * minimum lead time)**.

A is not correct because usage forms part in calculation of maximum usage level which is calculated as **reorder level + reorder quantity – (minimum usage * minimum lead time)**

B is not correct because it also forms part in calculation of maximum usage level which is calculated as **reorder level + reorder quantity – (minimum usage * minimum lead time)**

C not correct because it also forms part in calculation of maximum usage level which is calculated as **reorder level + reorder quantity – (minimum usage * minimum lead time)**

QUESTION 39

The correct answer is D

D is correct answer because staff party beverages scheme is kind of celebration end year performance not bonuses or incentives given to an employee.

A is not correct answer as this is a type of incentives and bonus on which an employee is paid extra amount on his/her salary because of time saved during production.

B is not correct answer because discretionary bonus is type of incentives employee receives due to reaching a certain level.

C is not correct answer because profit- sharing scheme is type of incentives on which an employee receives some percentage of profit.

QUESTION 40

The correct answer is A

A is correct answer because turnover ratio is calculated as taking number of employees leaving the company divided by average number of staffs at the beginning of period and end of the period, $250 / ((500+550)/2)$ which is 47.6%.

B is not correct because this is percentage of staff who resigned in relation to number of staff at the end of the year instead of using average.

C is not correct because this is percentage of resigned staff in relation to the number of staff at the beginning of the year instead of average.

D is not correct because this is percentage of resigned staff in relation to number of staff at beginning plus number of staff at the end.

QUESTION 41

The correct answer is C

C is correct answer because if the actual quantity produced is the same to budgeted production volume so there is no variance.

A is not correct because if the actual quantity produced is different to budgeted production volume, this measures the effect of total direct cost variance.

B is not correct because if the actual cost price is different to budgeted cost price also measures the effect of total direct cost variance due to different in prices.

D is not correct answer because if the actual efficiency in which resources are used is different to budgeted efficiency due to difference in wastage of resources than expected.

QUESTION 42

The correct answer is D

D is correct because statement 2 is true due to time value of money is all to do with our preference to receive money sooner rather than later and statement 1 is false due to the fact that responsibility centers are areas of the business for which costs or revenues are gathered and compared to budgets for control purposes.

A is not correct because statement 1 is not correct due to the fact that responsibility centers are areas of the business for which costs or revenues are gathered and compared to budgets for control purposes.

B is not correct because statement 1 is not true due to negativity and statement 2 is true as time value of money is all to do with our preference to receive money sooner rather than later.

C is not correct because statement 2 is true

QUESTION 43

The correct answer is D

D is correct because bank charges on early withdrawal of funds is not an expense which can be projected, it is only done when company needs money urgently so this is not irregular cashflow, it is exceptional cashflow.

A is not correct because drawings by a sole trader or partners in a partnership taking money/goods for personal use in sole trade doesn't happen usually so this is irregular cashflow.

B is not correct because dividends paid to shareholders in a company are not repetitive expenditure as it might not be paid every year.

C is not correct because non-current assets are not purchase of day-to-day expenses of the business so it is irregular cashflow.

QUESTION 44

The correct answer is B

B is correct answer and calculated as follows:

Details	FRW
PPE	450,000
Accumulated	-150,000
Opening Carrying Value	300,000
Depreciation for the year	- 75,000
Closing Carrying value	- 475,000
Acquisition cost	-250,000

A is not correct because it omitted accumulated depreciation at the start as follows:

Details	FRW
PPE	450,000
Accumulated	0
Opening Carrying Value	450,000
Depreciation for the year	- 75,000
Closing Carrying value	- 475,000
Acquisition cost	-100,000

C is not correct answer because it omitted depreciation for year in calculation,

Details	FRW
PPE	450,000
Accumulated	-150,000
Opening Carrying Value	300,000
Depreciation for the year	-
Closing Carrying value	- 475,000
Acquisition cost	-175,000

D is not correct because it only considered opening cost balance and closing balance to find newly acquired assets which is wrong.

QUESTION 45

The correct answer is A

A is correct answer computed as follows:

Details	March
January (30%* FRW 800,000)	240,000
February (50%* FRW 500,000)	250,000
March (20%* FRW 450,000)	90,000
Discount (10%* FRW 90,000)	- 9,000
Total	571,000

B is not correct because it omitted Discount of 10%,

Details	March
January (30%* FRW 800,000)	240,000
February (50%* FRW 500,000)	250,000
March (20%* FRW 450,000)	90,000
Total	580,000

C is not correct because it is March purchase budget less discount of 10% yet the case was to identify the cash paid in march not purchase made in march?

D is not correct because it omitted cash from January purchase as follows:

Details	March
February (50%* FRW 500,000)	250,000
March (20%* FRW 450,000)	90,000
Discount (10%* FRW 90,000)	- 9,000
Total	331,000

QUESTION 46

The correct answer is C

Cis correct because all given functions are for centralized treasury

A is not correct because it doesn't include "separate team will be able to monitor performance of the function more effectively" as function yet it is.

B is not correct because it doesn't include i) "Larger volumes of cash are available to invest so better rates can be negotiated" as function yet it is.

D is not correct because all functions provide are for centralized treasury.

QUESTION 47

The correct answer is C

C is correct answer because inventory turnover is calculated as taking net sales divided by inventory (FRW 120,000,000-FRW 10,000,000)/FRW 40,000,000 which 2.75 times.

A is not correct because it's doesn't take into consideration return in ward, gross sales was used instead of net sales.

B is not correct because return inward was added to gross sales instead of subtracting it.

D is not correct because C above was correct

QUESTION 48

The correct answer is B

B is correct answer because production overhead comprises of all indirect costs used in production like indirect materials, labour and expenses related to production.

A is not correct because it is not the only indirect labor included in production overhead, also indirect materials and expenses are included.

C is not correct because also indirect labour is part of production overheads.

D is not correct because also indirect labour and expenses are part of production overheads.

QUESTION 49

The correct answer is D

D is correct answer because Monetary policy published by central banks and not the organization so this is only external source of information from given list in the question.

A is not correct because management report is financial report prepared internally within the organization.

B is not correct because Production information is prepared from within the production department not from external of the organization.

C is not correct because financial statements are written records that conveys the business activities and financial performance of the company so they prepared internally.

QUESTION 50

The correct answer is A

A is correct answer and computed as follows:

Details	FRW"000"
Opening balance	90,000
Sales on Credit	450,000
Closing balance	- 105,000
Cash Collected	435,000

B is not correct because opening balance was subtracted and closing added which is wrong, opening should be added to current sales on credit and subtract closing balance. This was computed wrongly as:

Details	FRW"000"
Opening balance	- 90,000
Sales on Credit	450,000
Closing balance	105,000
Cash Collected	465,000

C is not correct both balances (opening and closing) were added together and subtracted from credit sales which is wrong, opening should be added to current sales on credit and subtract closing balance. This was computed wrong as:

Details	FRW"000"
Opening balance	90,000
Sales on Credit	- 450,000
Closing balance	105,000

Cash Collected	- 255,000
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D is not correct because all figure was added together which was wrong, opening should be added to current sales on credit and subtract closing balance. This was computed wrongly as:

Details	FRW"000"
Opening balance	90,000
Sales on Credit	450,000
Closing balance	105,000
Cash Collected	645,000

END OF MARKING GUIDE AND MODEL ANSWERS