
CERTIFIED PUBLIC ACCOUNTANT
STAGE 2 EXAMINATIONS
S2.2: MANAGING COST AND CASHFLOWS
DATE: THURSDAY 30, 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.

SECTION A

QUESTION ONE

Which of the following statements clearly describes overtrading?

- A When business expands more quickly than its fund allows
- B When business has surplus assets that are not being used
- C When business is making maximum use of supplier credit lines
- D When business is focusing on cash management.

(2 Marks)

QUESTION TWO

Governance is the process of interaction through the laws, norms, power or language of an organized society over social system, it's encompassing the system by which an organization is controlled and operates,

Which one of the following is not a key element of corporate governance?

- A The management and reduction of risk is a fundamental issue in all definition of good governance, whether explicitly stated or merely implied.
- B Accountability is generally a major theme in all governance frameworks
- C A duty of care and trust which one person or entity owes to another and it can be legal or ethical obligation.
- D The notion that overall performances is enhanced by good supervision and management within set best practice guidelines underpins most definitions.

(2 Marks)

QUESTION THREE

Which one of the following is correct statement about interest rate?

- A When interest rates are rising, the investment becomes less attractive
- B When interest rates are rising, the investor who have taken out fixed interest investment will gain more return.
- C When interest rates are rising, the demand for borrowing increase on the same level as rate of rising.
- D When interest rates are falling, fixed interest investments protect the return available to investor.

(2 Marks)

QUESTION FOUR

Nyangenzi Ltd is a trading company operating in Nyabugogo market by selling food stuff. Recently the business was requested to file the annual tax return in the Rwanda Revenue Authority system and to do so, they need to first prepare financial statements. After hiring the consultant to help them in the preparation of financial accounts, the owner of Nyangenzi Ltd asked the consultant why the amount shown on the statement of profit or loss doesn't match to the money they had in the bank account and cash account. The consultant was not sure on how to explain this and therefore he decided to start by giving them the following items which might cause discrepancies between profit and cash,

- (i) Prepayment of rent
- (ii) Depreciation
- (iii) Credit sales
- (iv) Purchase of inventory on cash
- (v) Purchase of Non-current assets

Which one of the following combinations is not the reason of discrepancy between profit and cash?

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

(2 Marks)

QUESTION FIVE

Maraba Tea Company Ltd is a company specializing in collecting raw tea from farmers and add value before selling it to overseas. Recently their bank statement showed an excess of cash of FRW 60 billion and in their management meeting, treasury accountant suggested to invest the money in term deposits earning 1.5% per quarter while waiting for harvest season, Chief Finance Officer (CFO) denied the suggestion saying that the money should be used to pay the outstanding loan which was being paid at 15% annually. It was also noted that for every FRW 1 paid early, FRW 0.02 must be paid as an early repayment fee. The meeting decided to pay off the loan as suggested by CFO.

Which of the following is net benefit from above taken decision?

- A FRW 3.15 billion per quarter
- B FRW 1.05 billion per quarter
- C FRW 2.25 billion per quarter
- D FRW 1.35 billion per quarter

(2 Marks)

The following information relates to questions 6 to 7

QUESTION SIX

Nyamiyaga Coffee Ltd is a company that sells coffee in Kigali coffee shops. The company is in the quarter two budget revision process and below are the estimated sales:

Period	Forecasted Sales
	FRW''000''
Mar-22	50,000
Apr-22	70,000
May-22	80,000
Jun-22	40,000

Of these sales 30% will be on cash basis and the remaining will be on credit basis. The past experience shows that 20% of credit customers pay their dues in the month of sales, 35% in the following month and remaining in second month following the month of sales.

Which one of the following is projected cash receipt in May 2022?

- A FRW 68,100,000
- B FRW 24,000,000
- C FRW 56,000,000
- D FRW 44,100,000

(2 Marks)

QUESTION SEVEN

Which of the following represents amount of March sales to be collected in April 2022?

- A FRW 35,000,000
- B FRW 15,000,000
- C FRW 12,250,000
- D FRW 15,750,000

(2 Marks)

QUESTION EIGHT

Maputo company Ltd is manufacturing company operating in nyagasambu sector. Recently received a special order from a customer to manufacture product X which required 1,000 kg of material Z, Maputo has 600 kg of material Z in inventory that cost FRW 500 per kg. Material Z is regularly used to produce Maputo's main product Y. The resale value of material Z is FRW 300 per kg and the current replacement price of material Z is FRW 700 per kg and readily available on the market.

Which of the following is the relevant cost for 1,000 kg of material Z to be used in preparation of quotation for special order?

- A FRW 700,000
- B FRW 500,000

- C FRW 580,000
- D FRW 300,000

(2 Marks)

QUESTION NINE

Zirarazishya Football club (ZFC) is one of the best clubs in division one of Rwanda championship league. During the recent open market of players in 2022, ZFC was interested in a player called Kanyobyia who was in good condition in the last season. It is estimated that the cost of player is FRW 200,000,000 now. The club analyst estimated that the player will help club to earn FRW 60,000,000 in 2023 and will continue to grow on 5% annually for the following 3 years after which he will be sold at FRW 20,000,000. ZFC's finance manager believes that club's minimum required rate of return is 10%.

What is the additional value (Net present Value) that Kanyobyia will contribute to club's wealth if the club decides to invest in the player?

- A FRW 258,607,500
- B FRW 203,751,451
- C FRW 3,751,451
- D FRW 200,000,000

(2 Marks)

QUESTION 10

Manyanga Gas and petroleum Ltd has been using additive model in forecasting the sales of the following quarter, based on previous information, last month of October 2021's sales were FRW 50,000,000 and season variance was FRW 15,000,000.

Which one of the following is forecasted sales of February 2022?

- A FRW 50,000,000
- B FRW 65,000,000
- C FRW 35,000,000
- D FRW 110,000,000

(2 Marks)

QUESTION 11

Kanyange Ltd has the following summary of statement of financial position as at end December 2022,

Assets	FRW''000''	Liability	FRW''000''
PPE (NBV)	1,250,000	Equity	500,000
Inventory	26,500	Bank Loan	800,000
Trade Receivable	39,600	Overdraft (less than one year)	99,600
Cash at bank	148,000	Trade payable	64,500
	1,464,100		1,464,100

What is the Acid test ratio for the period ended December 2022?

- A 1.3:1
- B 1.14:1
- C 3.32:1
- D 2.91:1

(2 Marks)

QUESTION 12

Which of the following factors are mainly considered when determining how to invest surplus fund?

- (i) Tax
- (ii) Risk
- (iii) Return
- (iv) Liquidity

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

2 Marks

QUESTION 13

Harvey Ltd has general expenditure of FRW 480,000,000 in quarter 1 in 2021 however, revised strategic policy states that the expenditure will be increased by 7% every quarter in current year, the expenditure is paid a half in current quarter and remaining in next quarter.

What is the expected cash outflow for the general expenditure for the last quarter of 2021?

- A FRW 588,020,640
- B FRW 294,010,320
- C FRW 568,786,320
- D FRW 274,776,000

(2 Marks)

QUESTION 14

Which of the following terms is defined as “area of the business on which manager is responsible of profit earned by the business and net assets of area as well”?

- A Cost centre
- B Responsibility centre
- C Investment centre
- D Profit centre

(2 Marks)

The following information relates to questions 15 to 17

QUESTION 15

Gatsibo Flavours Ltd is a company which makes and sells single product called “Ndabakuza”. At the start of quarter 4 of 2022, there was inventory of 500 units of Ndabakuza, the following information related to production and sales of last quarter of 2022.

Details	Q4
Sales	1,300 Units
Production	1,000 Units
Selling price	FRW 600 per Unit
Variable cost	FRW 250 per Unit

Fixed Cost for the quarter is FRW 350,000 of which FRW 170,000 is administrative fixed cost and remaining is for fixed production cost.

Which of the following is net profit using marginal Cost?

- A FRW 55,000
- B FRW 455,000
- C FRW 105,000
- D FRW 51,000

(2 Marks)

QUESTION 16

What is the inventory value using absorption costing?

- A Opening FRW 215,000 and Closing FRW 86,000
- B Opening FRW 125,000 and Closing FRW 50,000
- C Opening FRW 215,000 and Closing FRW 50,000
- D Opening FRW 125,000 and Closing FRW 86,000

(2 Marks)

QUESTION 17

Which one of the following is most correct about long-run effect on profit using marginal and absorption costing?

- A 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 not be the same, no matter how calculated
- B 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 no different results for profit obtained.
- C In the long run, total profit for a business will be the same whether marginal costing or absorption costing is used, Different accounting conventions merely affect the profit of individual accounting periods.
- D In absorption costing it is necessary to distinguish variable costs from fixed costs.

(2 Marks)

The following information relates to questions 18 to 19

QUESTION 18

Kanyarira business centre has three production cost centres and one service cost centre (delivering), kanyarira's cost accountant doesn't know how the overhead are shared within the cost centres, the following is the information available on 31st December 2021,

Details	P1	P2	P3	S1	Total
Direct Hours worked	8,000	6,000	3,500	2,500	20,000

Total Overhead was FRW 300,000,000. 2,500 hours of S1 were worked and for other cost centres P1, P2 and P2 on the ratio of 2:3:1 respectively.

What is the overhead apportioned to service cost centre S1?

- A FRW 120,000,000
- B FRW 90,000,000
- C FRW 52,500,000
- D FRW 37,500,000

(2 Marks)

QUESTION 19

What is the reapportioned overhead for P2?

- A FRW 90,000,000
- B FRW 18,750,000
- C FRW 108,750,000
- D FRW 127,500,000

(2 Marks)

QUESTION 20

Mr. Kabosi is an employee of I&D Bank plc specialising in investment and development project financing in Rwanda. Recently a customer approach him for advice on the amount of money someone could invest now to have FRW 5,000,000 in two years to come. Bank's return on the investment is 4% annually. The following are suitable factors to be used,

Period	Non-Annuity discounting factor	Annuity Discounting factor	Non-Annuity Compounding factor	Annuity Compounding factor
1	0.962	0.962	1.040	1
2	0.925	1.886	1.082	2.04

What is the present value of FRW 5,000,000 in two years that the customer is expected to receive?

- A FRW 4,622,781
- B FRW 9,430,473
- C FRW 5,408,000
- D FRW 10,200,000

(2 Marks)

The following information relates to questions 21 to 23

QUESTION 21

Gitenge Ltd is a company manufacturing made in Rwanda products. In 2020 the company-initiated budget process for the next coming period, the following are relevant information:

Details	Amount/Unit
Sales	256,000 units
Sales revenue	FRW 15,360,000
Variable cost	FRW 8,960,000
Fixed Cost	FRW 3,300,000

Which of the following is correct contribution per unit for the above company?

- A FRW 25 per unit
- B FRW 35 per unit
- C FRW 12.11 per unit
- D FRW 60 per unit

(2 Marks)

QUESTION 22

Which of the following is Break even sales revenue?

- A FRW 3,300,000
- B FRW 132,000
- C FRW 7,920,000
- D FRW 15,360,000

(2 Marks)

QUESTION 23

Which of the following is correct sales unit required to earn a profit of FRW 5,000,000?

- A 332,000 Units
- B 19,920,000 Units
- C 132,000 Units
- D 256,000 Units

(2 Marks)

QUESTION 24

Which of the following best describes the term “Margin of safety”?

- A The difference between the budgeted or forecast sales or actual current sales and the break-even sales level.
- B The actual net profit compared to budgeted net profit
- C The difference between actual contribution achieved and with contribution required to break even
- D The actual Contribution vs budgeted fixed cost.

(2 Marks)

The following information relates to questions 25 to 29

QUESTION 25

Intare mineral industry is a manufacturing company which makes mineral water. It is Intare's practice to use marginal costing in the process of estimating cost of production. During the management meeting, Intare mineral industry realized that marginal costing is no longer fit for current production due to the fact that it underestimates the cost and makes them pay more unnecessary tax. The newly recruited Management Accountant suggested to use full cost approach which will help them to record all production costs and then CFO accepted the idea but requested him to explain to management team members the difference between full cost approach and absorption costing and under/over absorption for them to make better informed decision. Unfortunately, the meeting ended without clear decision due to time constraint. The following were the information available for the year ended 31st December 2020.

Details	FRW''000''
Factory repairs	2,300
Insurance of equipment	600
Heating	800

Details	Production Cost Centre		Service Centre	
	Nazap	Space Z	Min	Sec
Book value	FRW 230	FRW 40	FRW 50	FRW 800
Floor space (m2)	1,200	750	450	600
Volume (m3)	250	400	200	150

Which of the following is the basis for apportionment of Insurance of equipment?

- A Book value
- B Floor space
- C Volume
- D All of the above

(2 Marks)

QUESTION 26

What is the overhead absorption rate for Heating?

- A 800 per m³
- B 267 per m³
- C 2,000 per m³
- D None of the above

(2 Marks)

QUESTION 27

What is the total overhead to be apportioned to Nazap?

- A FRW 345,000
- B FRW 1,265,000
- C FRW 1,465,000
- D FRW 545,000

(2 Marks)

QUESTION 28

Which of the following best describes over absorption?

- A If actual overheads are greater than absorbed overheads, then overheads are over absorbed
- B If actual overheads are less than absorbed overheads, then overheads are over absorbed
- C If actual overheads are not greater than absorbed overheads, then overheads are over absorbed
- D over absorption of overheads occurs because the predetermined overhead absorption rates are not based on forecasts

(2 Marks)

QUESTION 29

Which of the following are main reasons for valuing finished goods inventory?

- (i) For the closing inventory figure in the statement of financial position
- (ii) For the overhead to be allocated correctly on the inventory
- (iii) For the cost of sales figure in the statement of comprehensive income
- (iv) For the accountant to know the variance causes.

- A (i) and (ii)
- B (i) and (iii)
- C (i), (iv) and (iii)
- D All of the above

(2 Marks)

The following information relates to questions 30 to 33

QUESTION 30

Mulindi industries Ltd makes three products X, Y and Z. All of them pass through the same line of process up to final stage. The following were the information for the month of November 2022.

Details	X	Y	Z
Selling Price	FRW 100	FRW 150	FRW 300
Direct Material (FRW 20 per unit)	40	80	160
Direct Labour (FRW 30 per hour)	45	30	60
Variable Overhead	5	30	25
Demand on market	5000units	4500unit	7000unit
Available labour hours	20,000		
Available material	90,000		

What is total contribution that Mulindi expects to earn in the month of November 2022?

- A FRW 75
- B FRW 480,000
- C FRW 815,000
- D FRW 2,940,000

(2 Marks)

QUESTION 31

Which of the following is limiting factor?

- A Labour hours
- B Materials
- C Demand
- D All of the above

(2 Marks)

QUESTION 32

What is contribution per limiting factor for product Z?

- A FRW 27.5
- B FRW 10
- C FRW 6.67
- D FRW 55

(2 Marks)

QUESTION 33

Determine the units that would Mulindi industries Ltd need to produce first in order to maximize contribution?

- A 7,000 Unit for product Z
- B 4,500 units for Product Y
- C 1,000 units for Product X
- D 16,500 units for product X, Y, Z

(2 Marks)

QUESTION 34

Which of the following is the most relevant cost to be used in decision making?

- A Estimated Future cost
- B Sunk cost
- C Notional cost
- D Current Cost

(2 Marks)

QUESTION 35

Mr. Kingsman is current production manager in bunduki audio and film production company. Due to poor working conditions, Mr. Kingsman decided to start his YouTube channel and resign from bunduki audio and film production company. However, he wants to analyze the cost associated in starting the YouTube channel before he makes final resignation decision.

Which of the following best describes his current salary in bunduki audio and film production company in relation with the analysis of costs associated with starting the YouTube channel?

- A Avoidable cost
- B Opportunity Cost
- C An increment cost
- D An irrelevant Cost

(2 Marks)

The following information relates to questions 36 to 37

QUESTION 36

Manibo Ltd has the following information:

Details	Days/units
Average usage	400
Maximum usage	500
Minimum usage	100
Lead time	12-14
Re-order quantity	7,000 units

During the recent market research, it was revealed that annual demand is 24,000-units, holding and ordering cost were FRW 2 and FRW 20 respectively.

What is the re-order level?

- A 7,000 units
- B 1,400 units
- C 1,200 units
- D 6,000 units

(2 Marks)

QUESTION 37

Which of the following is Economic order quantity?

- A 400 Units
- B 160,000 units
- C 960,000 units
- D 480,000 units

(2 Marks)

QUESTION 38

Which of the following is not relevant in calculation of Maximum level of inventory?

- A Usage
- B Re-order level
- C Lead time
- D Purchase price

(2 Marks)

QUESTION 39

Which of the following is not a type of employee incentives and bonuses?

- A Time-saved bonus
- B Discretionary bonus
- C Profit-sharing scheme
- D Staff party beverages scheme

(2 Marks)

QUESTION 40

Sameel and Sateel consultant Ltd (S&S Consultant Ltd) is a human resource company operating in the City of Kigali. At the beginning of the year 2021, S&S Consultant Ltd had 500 employees (200 men and 300 women). Due to new opportunities on the market 250 employees resigned (150 men and 100 women) from their positions in the company and immediately S&S Consultant Ltd revised their salary structure to cope up with the market demand and recruited new 300 employees (200 men and 100 women). On 31st December 2021 S&S Consultant Ltd had 550 employees (250 men and 300 women).

Which of the following is staff turnover rate for S&S Consultant Ltd?

- A 47.6%
- B 45.45%
- C 50%
- D 23.8%

(2 Marks)

QUESTION 41

Which of the following doesn't measure the combined effect for total direct cost variance?

- A The actual quantity produced is different to budgeted production volume
- B The actual cost price is different to budgeted cost price
- C The actual quantity produced is the same to budgeted production volume
- D The actual efficiency in which resources are used is different to budgeted efficiency

(2 Marks)

QUESTION 42

Statement 1: Responsibility centres are areas of the business for which costs or revenues are not gathered and compared to budgets for control purposes.

Statement 2: The time value of money is all to do with our preference to receive money sooner rather than later.

Which of the following is correct?

- A Both statements are true
- B Statement 1 is true and statement 2 is false
- C Both statements are false
- D Statement 2 is true and statement 1 is false

(2 Marks)

QUESTION 43

Which of the following is not irregular cashflow?

- A Drawings by a sole trader or partners in a partnership
- B Dividends paid to shareholders in a company
- C Payments to acquire new non-current assets
- D Bank charges on early withdrawal of funds

(2 Marks)

QUESTION 44

Institute of Certified Public Accountant of Zamburie (ICPAZ) is a professional Institute with mandate of regulating accountancy in Zamburie. At the end of 2020, ICPAZ had PPE with cost of FRW 450,000 and accumulated depreciation of FRW 150,000. During the year ended 2021, ICPAZ charged depreciation of FRW 75,000 in profit or loss statement. After closing the final accounts, ICPAZ had FRW 425,000 as carrying amount of PPE.

How much did ICPAZ spend on acquiring new PPE in 2021?

- A FRW 100,000
- B FRW 250,000
- C FRW 175,000
- D FRW 25,000

(2 Marks)

QUESTION 45

Zainabu Ltd had the following balances extracted from purchase budget for the first quarter of 2021.

Period	FRW''000''
January	800,000
February	500,000
March	450,000

Based on Zainabu Ltd.'s past experience, 20% of purchases on credit is paid in current month of purchase, 50% in the following month and remaining in the two months' time and every amount paid in month of purchase Zainabu receives a discount of 10% on the amount paid.

What is the cash paid in March 2021?

- A FRW 571,000
- B FRW 580,000
- C FRW 405,000
- D FRW 331,000

(2 Marks)

QUESTION 46

Which of the following is/are the function(s) of centralized treasury function?

- (i) Larger volumes of cash are available to invest so better rates can be negotiated.
- (ii) Borrowing can be arranged in bulk at lower interest rates than for smaller borrowings.
- (iii) A separate team will be able to monitor performance of the function more effectively
- (iv) Centralized liquidity management avoids having a mix of cash surpluses and overdrafts in different localized bank accounts.

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

(2 Marks)

QUESTION 47

The following data related to zakayo Ltd as of the year ended 2022, company had Inventory with value of FRW 40,000,000:

Details	FRW''000''
Gross sales	120,000
Cost of sales	- 80,000
Gross profit	25,000
Net Profit	15,000

During the year ended December 2022, a customer with balance of FRW 10,000,000 returned goods to Zakayo Ltd claiming that zakayo Ltd sent excess than requested,

What is the inventory turnover ratio?

- A 3 times
- B 3.25 times
- C 2.75 times
- D None of the above

(2 Marks)

QUESTION 48

Which of the following can be included in production overhead?

- A Indirect labour cost only
- B Indirect Expenses, indirect materials, indirect labour used in production process
- C Indirect materials and expenses only
- D Indirect Materials only

(2 Marks)

QUESTION 49

Which of the following is not internal source of information for cash budget?

- A Management reports
- B Production information
- C Financial statements
- D Monetary policy publication

(2 Marks)

QUESTION 50

The following information was extracted from sales ledger control account for month of July 2020.

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

What is the cash received from customers in the month of July 2020?

- A FRW 435,000
- B FRW 465,000
- C FRW 255,000
- D FRW 645,000

(2 Marks)

End of question paper