
**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATIONS**

S2.2: MANAGING COST AND CASHFLOWS

DATE: THURSDAY 28, NOVEMBER 2024

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

Public sector organisations are organisations that are controlled by one or more parts of the state. Their functions are often to implement government policy in secretarial or administration areas.

Which of the following are not part of public sector organization?

- A Organizations supervised by government departments.
- B Devolved bodies where minority of shares are owned by the government.
- C Supranational bodies or non-governmental organisations.
- D Devolved bodies such as local authorities and nationalised companies.

(2 Marks)

QUESTION TWO

Cash budgets can be used in the planning process in the long and short term. Cash is a vital element of any business and therefore it is important for the management to compare the actual cash flows for a period with the expected cash flows.

- i) Plans and targets are set for the future and they be long-term, medium-term or short-term cash budgets.
- ii) Plans are put into operation, as materials and labour are employed, and other expenses are incurred, and sales income generated.
- iii) Actual results are recorded and analysed
- iv) Information about actual results is feedback to the management concerned.

Which one of the above are key elements of cash plan control cycle?

- A (i) only,
- B (i) and (iii)
- C (i), (ii) and (iv)
- D All above.

(2 Marks)

QUESTION THREE

Given below are statements about money market financial instruments:

Statement 1: A primary market is where existing financial instruments are traded between participants in the market,

Statement 2: A secondary market is where new financial instruments are issued for cash.

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 FOUR

John Ltd is an agricultural based company. The company has a high rate of labour turnover and management decided to provide incentives to its workers to manage the situation. Currently the company has 25 workers. The management requested the management accountant to calculate the required piecework budget. In the new scheme a staff will be allowed FRW 9,000 per piecework hour produced. Below are expected output produced over 65 hours per month.

Product	Production	Piecework time allowed per month
Product Y	9 Units	10 hours
Product Z	7 Units	5 hours

Refer to the above decision, **which of the following is piecework budget per one worker?**

- A FRW 225,000 per month
- B FRW 585,000 per month
- C FRW 810,000 per month
- D None of the above

(2 Marks)

QUESTION FIVE

Time series is a record of figures or values that have occurred over a period of time.

Which of the following are elements of time series?

- (i) Seasonal variation – due to timing,
 - (ii) Random variation – due to unexpected events,
 - (iii) Cyclical variation – due to general economic factors,
 - (iv) Trend – the way the figures are moving in general,
- A (i), (ii) and (iv)
 - B (ii), (iii) and (iv)
 - C All of the above
 - D None of the above

(2 Marks)

QUESTION SIX

You have been appointed as an accounting technician in a small established business where the management wishes to reduce its cash operating cycle period which is currently 100 days.

Which of the following will not help the management to reduce its cash operating cycle?

- A Inventory holding period – Increase
- B Inventory holding period – Decrease
- C Trade receivables' days – Decrease
- D Trade payables' days – Increase

(2 Marks)

QUESTION SEVEN

The economic environment affects business at national and international level, both in the general level of economic activity and in particular variables. Consider the following economic factors:

- i) International Capital Markets
- ii) Exchange rates
- iii) Interest rates
- iv) Characteristics of overseas markets

From the above, **what are the international factors which have an impact on the economic environment?**

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

(2 Marks)

QUESTION EIGHT

LX Ltd is a company that has various departments. Information relating to department A is provided below:

1. The total actual production overheads are 70 million.
2. The direct labour hours planned for the period are 40,000 each FRW 2,000 per hour.
3. The budgeted production overheads are FRW 60 million.

What is the predetermined production overhead absorption rate per direct labour hour for Department A?

- A FRW 1,750
- B FRW 2,000
- C FRW 1,500
- D None of above

(2 Marks)

QUESTION NINE

Which of the following is not a reason why a business may offer settlement discount to its customers?

- A Improve liquidity by reducing the working capital cycle. If the business is suffering from cash flow problems, then this will be especially important,
- B The cost of other short-term finance, such as overdraft interest, will be reduced, if the other sources of finance are more expensive than the cost of the discount,
- C If customers prioritize payment of the discounted invoices in order to take advantage of the reduced cost, then the likelihood of bad debts is reduced,
- D The settlement discounts are essentially a reduction in the prices of the products, and so the business should consider the financial implications of offering these.

(2 Marks)

QUESTION 10

What is the present value of FRW 500,000 which will be received in three years' time (to the nearest whole FRW)? The discount factors at a discount rate of 5% are Year 0 = 1.000, Year 1 = 0.952, Year 2 = 0.907, Year 3 = 0.864.

- A FRW 432,000
- B FRW 453,500
- C FRW 476,000
- D FRW 500,000

(2 Marks)

QUESTION 11

You have been provided with the following budgeted and actual figures for the year ended 31st December 2023.

	Budget	Actual
Selling price per unit (FRW)	30,000	29,000
Production cost (FRW)	28,000	27,000
Sales units	600	620

Calculate the total sales revenue variance?

- A FRW 20,000 Favourable
- B FRW 20,000 Adverse
- C FRW 1,180,000 Adverse
- D FRW 1,180,000 Favourable

(2 Marks)

QUESTION 12

Costs behave in different ways when the levels of activity in the organization change.

Which of the following are the main classifications of cost according to behavior?

- i) Variable costs
 - ii) Fixed costs
 - iii) Semi-variable costs
 - iv) Step-fixed costs
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- A (i) and (ii)
 - B (i), (ii) and (iii)
 - C (i), (ii), (iii) and (iv)
 - D None of the above.

2 Marks

QUESTION 13

MJ Ltd is preparing its cash budget for the three months ending 31st December 2024. The selling price has been FRW 70 per unit for more than two years. The workforce is currently paid at a rate of FRW 50 per hour and each unit requires 1.5 hours of labour. The company decided to increase both selling price and production cost by 5% as results current inflation per unit effective from the 1 September 2024.

Sales and production units for the three months of October, November and December 2024 are estimated as follows:

	Sales Units	Production Units
October	13,900	14,000
November	13,500	13,600
December	13,800	13,400

Which one will not be the estimated sales to be included in the cash budget for sales.

- A FRW 1,021,650
- B FRW 992,250
- C FRW 1,071,000
- D FRW 1,014,300

(2 Marks)

QUESTION 14

Which of the following is not true by comparing marginal costing versus absorption costing?

- A In marginal costing, it is necessary to identify the following: Variable costs, Contribution, Fixed costs
- B In absorption costing it is not necessary to distinguish variable costs from fixed costs
- C Marginal costing and absorption costing are different techniques for assessing profit in a period
- D In full costing it is necessary to distinguish variable costs from fixed costs

(2 Marks)

QUESTION 15

Most organizations have long-term goals which can be divided into:

- i) Objectives: detailed steps for achieving their goals
- ii) Action plans: measurable steps towards achieving their objectives.

From above information, which of the following is correct?

- A Both (i) and (ii) are true
- B Both (i) and (ii) are false
- C (i) is true and (ii) is false
- D (ii) is true and (i) is false

(2 Marks)

QUESTION 16

JB Ltd is a manufacturing company located in Nyanza province. the following information relates to the overhead costs for the month of July 2024:

1. Depreciation of the factory of FRW 600,000.
2. Factory repairs/maintenance of FRW 800,000.

The company has four (4) cost centres: A, B, C and D covering area of 1,000 m²; 1,500 m²; 2,000 m²; 1,000 m² respectively. All overhead costs are absorbed based on area covered.

What is the amount of factory repairs/maintenance overhead cost that will be allocated to cost centre A?

- A FRW 800,000
- B FRW 600,000
- C FRW 200,000
- D None of above

(2 Marks)

QUESTION 17

JMV Ltd has FRW 40 million available to invest for a period of 12 months and wishes to achieve a rate of return of 3.5% per annum.

Which of the following investments would be the acceptable business?

Option 1: paying annual interest of FRW12,000,000 plus a bonus of 1% of the capital invested if the deposit is retained for 1 year.

Option 2: with a lump sum return of FRW16,000,000 at the end of one year

Option 3: paying interest of FRW600,000 every 6 months.

- A Option 2 only
- B Option 1 and Option 2
- C Option 2 and Option 3
- D Option 3 only

(2 Marks)

QUESTION 18

Which of the following is not among the benefits of factoring for a business customer in managing working capital?

- A Growth can be financed through injecting fresh external capital rather than by sales.
- B The business can pay its suppliers promptly, and so be able to take advantage of any early payment discounts that are available.
- C Optimum inventory levels can be maintained, because the business will have enough cash to pay for the inventories it needs.
- D The business gets finance linked to its volume of sales. By contrast, overdraft limits tend to be determined by historical statements of financial position.

(2 Marks)

QUESTION 19

The following statements relate to variance analysis.

Statement 1: An adverse variance is always good for the business.

Statement 2: An adverse variance is always bad for the business.

Which of the following is correct?

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

(2 Marks)

QUESTION 20

The following information was extracted from the books of EXA Ltd.

	June 2024	July 2024
Total costs of production (FRW)	22,000	15,000
Volume of production (Units)	2,100	900

What is the best estimate of the company's fixed costs per period?

- A FRW 15,000
- B FRW 12,250
- C FRW 9,750
- D FRW 7,000

(2 Marks)

QUESTION 21

A business is considering investment in new machinery at a cost of FRW 45 million on 1 January 2025. The machine is expected to generate inflows of FRW 20 million each year for two years.

What is the net present values of those inflows on 31 December 2025 and 2026 – discount factors 0.893 and 0.797 respectively?

- A FRW 40,000,000
- B FRW 45,000,000
- C FRW 15,940,000
- D FRW 11,200,000

(2 Marks)

QUESTION 22

Which of the following is correct when a bank is assessing whether to extend credit to a customer or bank?

- i) Credit ratings might be checked through a credit rating agency.
- ii) A new customer's credit limit may be fixed at a low level and only increased if the payment record subsequently warrants it.

- A Both (i) and (ii) are false
- B Both (i) and (ii) are true
- C (i) is true and (ii) is false
- D (ii) is true and (i) is false

(2 Marks)

QUESTION 23

Which of the following is not a cost to be incurred in order to prevent employees leaving their job?

- A Cost of tool and machine breakages,
- B Cost of personnel administration incurred in maintaining good relationships,
- C Cost of welfare services, including sports facilities, laundry services and restaurant meals,
- D Pension schemes providing security to employees.

(2 Marks)

QUESTION 24

The budgeted materials for a manufacturing business were 400 Kgs at a cost of FRW20,000 per kg. Actual material cost for the month was FRW8,800,000 and 410 Kgs were used.

What is the material purchase price/efficiency variance?

- A FRW 8,200,000 Favourable
- B FRW 8,200,000 Adverse
- C FRW 600,000 Adverse
- D FRW 600,000 Favourable

(2 Marks)

QUESTION 25

A high level of debt creates financial risk. Financial risk can be seen from different points of view.

Which of the following is not true?

- A If a company builds up debts that it cannot pay when they fall due, it will be forced into liquidation
- B If a company cannot pay its debts, the company will go into liquidation, owing suppliers and lenders money that they are unlikely to recover in full
- C A company will not make any distributable profits unless it is able to earn enough profit before interest and tax to pay all its interest charges, and then tax
- D Debt finance tends to be relatively high risk for the debt holder as it is interest-bearing and cannot be secured.

(2 Marks)

QUESTION 26

JMV Ltd has an inventory record of product A and the following are details for week 1:

Day	Cost per Unit (FRW)	Received Units	Issued Units
1	350	30	
3	250	25	
4			20
6			25

What was the value of the inventory on Day 5 using the first-in first-out (FIFO) method of pricing issues?

- A FRW 12,250
- B FRW 11,750
- C FRW 9,750
- D FRW 8,750

(2 Marks)

QUESTION 27

DID Ltd is a business company that sells its products through different departments. The following information relates to departments A, B and C.

	Department A	Department B	Department C
Sales	3,600,000	2,000,000	3,000,000
Variable Cost	2,700,000	1,500,000	2,250,000
Overhead cost	200,000	100,000	150,000
Fixed administration cost	200,000	200,000	200,000

What is the total contribution of Department C to DID Ltd?

- A FRW 600,000
- B FRW 550,000
- C FRW 400,000
- D None of above

(2 Marks)

QUESTION 28

Joes Ltd is a trading company, the following is the cash collection policy from its customers, a 5% discount is allowed if they pay in the month of sale: 60% of customers pay in the month of sale and take the discount, 30% pay the month after sale and the rest is received two months later, although 8% of all invoices are expected to become irrecoverable debts.

Budgeted credit sales are October FRW 350,000; November FRW 250,000; December FRW 300,000

What is the cash inflow from credit customers for the month of December?

- A FRW 253,000
- B FRW 290,000
- C FRW 281,000
- D FRW 262,000

(2 Marks)

QUESTION 29

A trading business company has the following information:

1. Trade payables' payment period of 30 days.
2. Trade receivables' collection period of 45 days.
3. Inventory holding period of 50 days.

What is the cash operating cycle in days?

- A 45 Days
- B 65 Days
- C 75 Days
- D 125 Days

(2 Marks)

QUESTION 30

Materials are either a direct or indirect cost, depending upon how easily they can be traced to a specific unit of production.

Which of the following is not true?

- A Direct materials are materials that are easily identifiable with a specific unit of production,
- B Indirect materials are materials that are not easily identifiable with a specific unit of production.
- C Direct materials are often referred to as 'consumables' and include such things as cleaning products, oil and grease for machines, protective clothing, disposable tools and stationary supplies.
- D indirect materials do not form part of the final product, but do make the manufacture of that product possible whilst there are some exceptions to this.

(2 Marks)

QUESTION 31

Which of the following is true?

- i) Margin of safety is the difference between the budgeted or forecast sales or actual current sales and the break-even sales level.
- ii) The breakeven point is the level of activity where the sales revenue is equal to the total costs of the business.

- A Both (i) and (ii) are false
- B Both (i) and (ii) are true
- C (i) is true and (ii) is false
- D (ii) is true and (i) is false

(2 Marks)

QUESTION 32

In decision making, costs which need to be considered are said to be **relevant costs**.

Which of the following are characteristics associated with relevant costs?

- i) Differential costs
- ii) Unavoidable costs
- iii) Incremental costs
- iv) Future costs

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

(2 Marks)

QUESTION 33

Which of the following is not money market instrument?

- A Corporate bond
- B Treasury bill
- C Certificate of deposit
- D Commercial paper

(2 Marks)

QUESTION 34

Which of the following transactions or events will affect profit in the same way as it affects the amount of cash in the business?

- A Sale of a business Motor car
- B Purchase of a new vehicle for the business
- C Accrual of the water bill
- D Payment of the monthly electricity bill at the end of the month

(2 Marks)

QUESTION 35

Holding costs are the costs of storing inventories until they are used.

Which of the following is not holding cost?

- A Costs of storage and stores operations,
- B Clerical and administrative costs,
- C Interest charges,
- D Insurance costs.

(2 Marks)

The following information relate to Question 36 & 37

JP Ltd is preparing the cash budget and the following are data given:

1. On 1st October JP Ltd is anticipated to have a cash balance of FRW 45,000.
 2. Payment to suppliers are FRW 118,000 for October, FWR 126,000 for November and FRW 137,0000 for December.
 3. Production expenses are estimated as FRW 41,000 for October, FRW 44,000 for November FRW 46,000 for December and are paid in the month in which they are incurred. This figure includes RWF 10,000 of depreciation charge each month.
 4. Monthly wages are FRW 15,000 for October, FRW 17,000 November, and FRW 17,000 December.
 5. Selling costs are estimated as 10% of the sales revenue for the period. 75% are payable in the month in which they are incurred and the balance in the following month (the sales in units were September: 12,000 units; October: 13,200 units; November: 14,100 units and December: 14,800 units. All sales were at FRW 80 per unit.
 6. Rental expenses are expected to be FRW 15,000 each month.
 7. The income tax payment of FRW 150,000 must be paid the 1st October.
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QUESTION 36

What is the Closing balance for the month of October?

- A FRW 668,800
- B FRW 623,800
- C FRW 825,000
- D FRW 658,800

(2 Marks)

QUESTION 37

What is the net cash flow for November?

- A FRW 975,000
- B FRW 1,493,800
- C FRW 825,000
- D FRW 815,000

(2 Marks)

QUESTION 38

Which are the main types of conditions to be included in a loan agreement with a bank?

- i) The repayment schedule
 - ii) Any covenants stipulated
 - iii) The term of the loan
 - iv) The way in which interest is charged
 - v) Any security required
 - vi) The interest rate
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- A (i), (ii), (iv) and (vi)
 - B (i), (iii), (v) and (vi)
 - C (ii), (iii), (iv) and (v)
 - D All of above

(2 Marks)

QUESTION 39

Which of the following is not part of assumptions about payments to suppliers of goods and services that should be taken account of?

- A Company policy on the administration of payments,
- B Historical payment dates such as rent, business rates, staff salaries,
- C Specific supply arrangements,
- D Credit terms offered by suppliers.

(2 Marks)

QUESTION 40

Which of the following is/are administration cost(s) for a manufacturing business classifying its revenues expenditure by function?

- i) Sales Director salary,
- ii) Factory heating and lighting,
- iii) Managing Director's salary,
- iv) Factory rent,

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

(2 Marks)

QUESTION 41

Which of the following is not correct to describe features of cash forecasting?

- A Cash forecasting ensures that there will be enough funds to sustain the activities of the organization.
- B A cash budget is a detailed budget of estimated cash inflows and outflows
- C A cash budget includes both capital and revenue items.
- D Cash forecasting helps the organization plan its financial transactions to be more efficient so that it can maximize the costs of borrowings and minimize the return from investing surplus funds.

(2 Marks)

QUESTION 42

JJP enterprises is a small retail business, where payment is received from customers by cash, cheque and Debit card.

What reconciliation should be carried out at the end of each day?

- A Reconciliation to amount of cash/cheques/credit card vouchers
- B Reconciliation to bank statement
- C Reconciliation to trade receivables
- D Reconciliation to cash book

(2 Marks)

QUESTION 43

Given below are statements relating to marginal costing principles:

- i) Period fixed costs are the same for any volume of sales and production (provided that the level of activity is within the 'relevant range')
- ii) Profit measurement should be based on an analysis of total contribution. Since fixed costs relate to a period of time, and do not change with increases or decreases in sales volume, it is misleading to charge units of sale with a share of fixed costs

Which of the following is correct?

- A Both (i) and (ii) are false
- B (i) is true and (ii) is false
- C Both (i) and (ii) are true
- D (ii) is true and (i) is false

(2 Marks)

QUESTION 44

A manufacturing business company XYZ Ltd has an overhead absorption rate of FRW 8,000 per unit, based on expected production levels of 450 units. Actual overheads turn out to be FRW 4,500,000 and actual production is 600 units.

What is the over or under-absorption of overheads?

- A FRW 300,000 over-absorbed
- B FRW 300,000 under-absorbed
- C FRW 500,000 under-absorbed
- D FRW 500,000 over-absorbed

(2 Marks)

QUESTION 45

What is following is not true?

- A Absorption costing - under this costing method a 'full' production cost per unit is calculated by including in the cost of the cost unit a proportion of the production overheads from each of the production and service cost centres.
- B Marginal costing - under this method includes variable costs and fixed cost within the cost of the cost units.
- C Activity based costing - this is a method of absorption costing that uses more sophisticated methods of allocating overheads to cost units than the normal methods of overhead allocation and apportionment.
- D Variable costing - under this method only the variable costs of production are included in the cost per cost unit.

(2 Marks)

QUESTION 46

The following information relates to direct labour employees for one month for BBD Ltd.

1. Basic pay for normal hours worked: 38 hours at FRW 4,500 per hour
2. Pay at the basic rate for overtime: 8 hours at RWF 4,500 per hour,
3. Overtime shift premium of FRW 9,000 for the period.
4. A bonus payment under a group incentive scheme of FRW 24,000 each month.

What is the total direct labour cost for BBD Ltd for the month?

- A FRW 240,000
- B FRW 216,000
- C FRW 171,000
- D FWR 207,000

(2 Marks)

QUESTION 47

Which of the following is correct on batches costing?

- i) Batch costing is a form of specific order costing in which costs are attributed to batches of products.
- ii) A batch is a cost unit which consists of a separate, readily identifiable group of product units which maintains its separate identity throughout the production process.
- iii) The cost per unit manufactured in a batch is the total batch cost multiplied by the number of units in the batch.

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

(2 Marks)

QUESTION 48

The cash budgets are prepared using many forecasting techniques and assumptions. There will be occasions when there will be changes from the original assumptions which will require changes in the cash budget.

Which of the following is not types of changes that may need to be incorporated into a cash budget?

- A Changes in volumes – if there are adjustments to anticipated sales volumes or changes in purchases volumes.
- B Change in depreciation – the original depreciation rate will be adjusted as the vehicle is getting old.
- C Changes in prices – the original cash budget will have been based on assumptions about selling prices per unit and purchase prices per unit.
- D Changes to include missing information – sometimes new information may come to light which was not available at the time the original budget was prepared.

(2 Marks)

QUESTION 49

From the lender's viewpoint, the interest rate charged on loan finance will normally reflect the risk associated with the loan and an assessment of a company's creditworthiness will be made.

Which of the following is not a factor that will cause the interest rate to be higher?

- A If the loan is for a short time period
- B If the lender assesses that the project is risky or is concerned about the abilities of the management team.
- C If the amount of the loan is high relative to the financial resources of the borrower
- D If repayment of capital is at the end of the loan, rather than in instalments.

(2 Marks)

QUESTION 50

Which of the following information is correct?

- i) There is no statutory format for cash budgets but as an important management tool, they should be set out in a manner which is useful to management decision-makers.
 - ii) The preparation of a cash budget will require information from a variety of sources and this information must be incorporated in order to determine the figures for each line of the cash budget.
- A Both (i) and (ii) are false
 - B (i) is true and (ii) is false
 - C Both (i) and (ii) are true
 - D (ii) is true and (i) is false

(2 Marks)

End of question paper