

**CERTIFIED PUBLIC ACCOUNTANT  
FOUNDATION LEVEL 2 EXAMINATIONS**

**F2.1: MANAGEMENT ACCOUNTING**

**DATE: WEDNESDAY, 30 MARCH 2022**

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**INSTRUCTIONS:**

1. **Time Allowed: 3 hours 15 minutes** (15 minutes reading and 3 hours writing).
2. This examination has **seven** questions and only **five** questions **should be** attempted.
3. Marks allocated to each question are shown at the end of the question.
4. Show all your workings where necessary.
5. The question paper should not be taken out of the examination room.

## QUESTION ONE

(a) Explain at least five points that indicate relationship between management accounting and financial accounting (10 Marks)

(b) Nyigi Company Co (NCC) Ltd produces three types of products U, V, and W. All processed from similar raw materials. The company prefers an Activity-Based Costing (ABC) as a good method to make an improvement in respect of costing.

The data regarding their products for last year 2021 are provided below:

Details	U	V	W
Production and sales quantity (Units)	300,000	240,000	360,000
Selling price per unit	FRW 1,500	FRW 2,400	FRW 2,600
Material usage(kg) per unit	20	30	40
Direct labour hours per unit	2	3	4
Machine hours per unit	1	2	2
Number of productions runs per annum	36	24	16
Number of purchase orders per annum	48	56	84
Number of deliveries	96	60	62

The price of raw materials remains constant throughout the year at FRW 240 per Kg. the same way, the direct labour cost for the whole workforce was FW 2800 per hour.

The annual overhead costs were as follows:

	FRW
Machine set up costs	531,000
Machine running costs	1,328,000
Procurement costs	960,000
Delivery costs	1,086,400

**Required:**

Calculate cost per unit of each product using ABC Method

(10 Marks)

(Total 20 Marks)

## QUESTION TWO

Kamonyi Industries Limited (KI Ltd) produces school materials according to customers' requirements. The production operations pass through three cost centers: **processing**, **assembling**, and **finishing**.

The company's budget for the next year shows the following data:

<b>Cost center</b>	<b>Budgeted production overhead</b>	<b>Basis of production overhead absorption</b>
	<b>FRW</b>	
Processing	80,000	40,000 machine hours
Assembling	152,000	42,760 machine hours
Finishing	90,000	50,800 labour hours

Job number 900 was manufactured during the period and its job cost card indicates the following information relating to the job:

	<b>FRW</b>
Direct material requisitioned	240,000
Direct material returned to stores	8,000

### **Direct labour recorded against job number 900**

Processing	5 hours at FRW 4,800 per hour
Assembling	4 hours at FRW 7,000 per hour
Finishing	2 hours FRW 6,000 per hour

### **Machine hours recorded against job number 900**

Processing	2,000 hours
Assembling	3,000 hours

Selling price, including delivery                      FRW 880,000

KI Ltd absorbed other overheads to the job by using the following predetermined absorption rates:

Administrative and general overhead    5% of production cost

Selling and distribution overhead      10% of labour cost

### **Required:**

(a) Prepare an analysis of cost and profit or loss attributable to Job number 900.

(18 Marks)

(b) Advise the company on whether to continue with the Job Number 900.      (2 Marks)

**(Total: 20 Marks)**

### QUESTION THREE

The preparation of budgets is a very important task which is given a high level of visibility within the company. The overall co-ordination of the budgeting process is therefore handled at a high level.

#### Required:

- (a) Describe the role of budgeting for company's operations (10 Marks)
  - (b) Explain how zero based budgeting system works and its implications (10 Marks)
- (Total: 20 Marks)**

### QUESTION FOUR

(a) Eastern lock Company (ELC) Ltd manufactures different related products. The following data were provided by management accountant of the company with purpose of analyzing costs.

	FRW
Fixed factory overheads costs	1,200,000
Fixed selling overhead cost	240,000
Variable manufacturing cost per unit	240
Variable selling cost per unit	60
Selling price per unit	480

#### Required:

- i. Break-even point in sales revenues value and in volume; (4 Marks)
- ii. Number of units that must be sold to earn a profit of FRW 1,800,000; (2 Marks)
- iii. Illustrate break-even chart using information from answer(i) and(ii) after tabulating appropriate data set; (5 Marks)
- iv. Indicate profit, loss, and break-even points areas. (3 Marks)

(b) Coco Company Ltd maintains large amounts of inventory items to meet customers' demand by ensuring high level of satisfactory.

The inventory records indicate the following information:

Annual Demand	96,000 units
Ordering cost	FRW 180
Holding cost	15% of cost per unit
Cost per unit	FRW 8000

#### Required:

- i. Determine most economical number of units to order (2 Marks)
  - ii. How many orders should be placed in year? (2 Marks)
  - iii. How often should an order be placed? (2 Marks)
- (Total 20 Marks)**

## QUESTION FIVE

Throughout our studies on budgetary control and standard costing, the emphasis has been on the economic aspect. There is, however, another and very important side to the concept, and this is the effect on the human beings who will operate and be judged by the budgetary system.

It was only in the 1980s that the results of years of study of interpersonal relationships percolated into the field of management accountancy. It is now recognised that failure to consider the effect of cost control on the people could result in a lowering of morale, reducing motivation and company loyalty. The effect of this would be a reduction in profits or cost-saving.

### Required:

- (a) Explain the nature of operations where the use of standard costing is most appropriate. (4 Marks)
- (b) Describe the types of standard costing and system (8 Marks)
- (c) Hingaweza Agroprocessing Co Ltd involves in production of foodstuff, the standard cost card of its product” Soybean oil “indicates that the production of 1 liter of soybean oil required 4.5 kg of soybeans at price of FRW 2,000 per Kg.

The data related to the actual production are provided below:

- Production during the week is 1500 litres
- Quantity of materials used is 5,250 kg
- The price of soybean oil is FRW 2500 per litre

### You are required to calculate:

- i. Material price variance (2 Marks)
- ii. Material usage variance (2 Marks)
- iii. Material cost variance (2 Marks)
- (d) List the causes of variances for management attention for each of the above (2 Marks)
- (Total: 20 Marks)**

## QUESTION SIX

- (a) Discuss about ethical standards and resolutions in case of ethical conflicts while exercising management accountant responsibilities. (10 Marks)
- (b) High Co Ltd (HC Ltd) involves in provision of IT services to support customers’ computers keep running in busy seasons. Over past ten months, HC Ltd incurred the following costs. The activity is measured on basis of direct labour hours.

Month	Direct labour hours	Cost” FRW”
January	2,550	21,450
February	2,850	22,800

March	2,700	25,050
April	2,400	21,000
May	2,250	21,450
June	1,950	19,500
July	1,650	19,200
August	2,100	21,300
September	1,800	18,000
October	1,550	15,000

**Required:**

**Using the high-low method; Determine:**

- i. Average variable cost;** (2 Marks)
- ii. The fixed components of service costs;** (4 Marks)
- iii. The variable components of service costs;** (2 Marks)
- iv. Briefly explain High -Low Method and Regression Method.** (2 Marks)

**(Total: 20 Marks)**

**QUESTION SEVEN**

Service costing is defined as “cost accounting for services or functions, for example canteens, maintenance and HR. These may be referred to as service centers, departments, or functions”. Service industries are different to manufacturing in that their outputs are intangible. However, service outputs still have a production cost and the organization must be able to determine these costs in order to run the business efficiently.

**Required:**

- (a) Explain any five types of services costing** (10 Marks)

**(b)** The following information is provided for the month of March for the rooms department of the South-North corner Hotel

<b>Detail</b>	<b>Twin bedrooms</b>	<b>Single bedrooms</b>
Number of rooms in hotel	520	140
Number of rooms available to let	480	80
Average number of rooms occupied daily	400	60

<b>In addition, the following information is available</b>	
Number of guests in the period	12,900
Average length of stay	4 days
Total revenue in period	FRW1,548,000
Number of employees	400
Employees cost for the period	FRW 300,000

Items laundered in period	20,000
Cost of cleaning materials	FRW 10,000
Total laundering cost	FRW 45,000
Listed daily rate for twin-bed room	FRW 250
Listed daily rate for single room	FRW150

The Hotel would like to get a report comprising of:

<b>Component</b>	<b>Measurement basis</b>
Room occupancy	Total number of rooms occupied as a percentage of available to let
Bed occupancy	Total number of beds occupied as percentage of beds available
Average guest rate	Total revenue divided by number of guests
Revenue utilization	Actual revenues as percentage of maximum revenue of the period
Average cost per occupied	Total cost divided by number of beds occupied

**Required:**

**Calculate the following components of report regarding hotel's service:**

- i. Room occupancy** (2 Marks)
  - ii. Average guest rate** (2 Marks)
  - iii. Revenue utilization** (2 Marks)
  - iv. Cleaning cost per day** (2 Marks)
  - v. Average cost per occupied bed per day** (2 Marks)
- (Total: 20 Marks)**

**End of question paper**

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