



**CERTIFIED ACCOUNTING TECHNICIAN  
STAGE 1 EXAMINATIONS  
S1.2 PRINCIPLES OF COSTING  
DATE MONDAY, 28 MARCH 2022  
MARKING GUIDE AND MODEL ANSWERS**

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**Marking Guide**

<b>QN</b>	<b>ANSWER</b>	<b>QN</b>	<b>ANSWER</b>
1	A	26	D
2	A	27	A
3	D	28	C
4	B	29	D
5	A	30	C
6	B	31	A
7	C	32	C
8	C	33	A
9	A	34	B
10	C	35	A
11	A	36	A
12	C	37	D
13	C	38	A
14	C	39	C
15	B	40	D
16	B	41	A
17	D	42	A
18	D	43	A
19	D	44	D
20	A	45	C
21	D	46	A
22	A	47	C
23	A	48	A
24	B	49	B
25	C	50	B

**2 Marks for each the correct answer**

**Total marks** **100**

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**Model Answer**

## QUESTION ONE

**The correct Answer is A**

- A. Partnership is arrangement between individuals to carry on business in common with a view to profitability.
- B. is wrong because a business that is owned and controlled by one person is a sole proprietorship.
- C. is wrong because partnership and company are totally different things
- D. is wrong the fact that the partnership is a mutual agreement between individuals hence not controlled by Government

## QUESTION TWO

**The correct Answer is A**

- A. Capital expenditure is the purchase of assets for long-term use in the business.
- B. is wrong because drawings is known as the amount of money taken from business for personal use.
- C. is wrong as the amount spent on the purchase of short-term items is known as Revenue expenditure
- D. Statement B is the only wrong answer

## QUESTION THREE

**The correct Answer D**

- A. Is wrong as the statement of asset and Equity does not exist

## QUESTION FOUR

**The correct Answer is B**

Financial accounting gives financial information to the external users which includes banks, government etc.

Other options are incorrect

- A. Managerial accounting involves the presentation of financial information for internal purposes to be used by management in making key business decisions
- C. the recording of all the costs incurred in a business in a way that can be used to improve its management for allowing management to make decision on the products
- D. Computerized accounting is used internally as a tool of recording and keeping their financial data in electronic manner.

## QUESTION FIVE

**The correct Answer is A**

- A. Variable cost changes according to the level of activity.
- B. Indirect costs are those costs not readily identified with a specific project or organizational activity but incurred for the joint benefit of both projects and other activities and some of these costs are fixed
- C. A semi-variable cost, also known as a semi-fixed cost or a mixed cost, is a cost composed of a mixture of both fixed and variable components. Costs are fixed for a set level of production or consumption and become variable after this production level is exceeded.

## QUESTION SIX

**The correct Answer is B**

The main three roles of management in every business are Planning, Controlling and Decision making.

- A. Has included the point of reporting which is not a prime role of management
- C. Hiring and evaluating employees this is the role of Human resources not for management
- D. is totally wrong as it says that A and C are correct, yet they are wrong

## QUESTION SEVEN

**The correct Answer is C**

Highest activity minus lowest activity = 24,000 - 10,000 = 14,000 units

15,600,000 - 10,000,000 = FRW 5,600,000

Variable cost per unit 5,600,000/14,000=FRW 400 per unit

Other options are incorrect like,

- A. 10,000,000/10,000 = FRW 1000 per unit
  - B. 15,600,000/24,000 = FRW 650 per unit
  - D. 15,600,000+10,000,000 = FRW 25,600,000
- 24,000+10,000 = 34,000 units
- 25,600,000/34,000=FRW 753 per unit

## QUESTION EIGHT

**The correct Answer is C**

Fixed cost is calculated as  $TC - VC = 10,000,000 - (400 * 10,000) = \text{FRW } 6,000,000$

Other options are incorrect

A.  $15,600,000 - (1000 * 10,000) = \text{FRW } 5,600,000$

B.  $15,600,000 - (650 * 10,000) = \text{FRW } 9,100,000$

D.  $15,600,000 + 10,000,000 = \text{FRW } 25,600,000$

## QUESTION NINE

**The correct Answer is A**

$(8000 * 400) + 6,000,000 = \text{FRW } 9,200,000$

Other options are incorrect like,

B.  $(1000 * 8000) + 5,600,000 = \text{FRW } 13,600,000$

C.  $(650 * 8000) + 9,100,000 = \text{FRW } 14,300,000$

D.  $(753 * 8000) + 25,600,000 = \text{FRW } 31,624,000$

## QUESTION 10

**The correct Answer is C**

Purchase of goods for which payment will be made in next two months

Other options are wrong like A, B and D because the payment was made immediately

## QUESTION 11

**The correct answer is A**

A Trade receivable is a person owing money to the business in return to the goods supplied,

B.is wrong because a person whom we owe money is a trade payable not a trade receivable

C. states that A and B are wrong, yet A is correct

D.is wrong because the person has paid immediately for the goods

## QUESTION 12

**The correct answer is C**

Advertisement expenses is not a production expenses instead it is a selling and distribution expenses. Other Options A, B and D they are production costs

## QUESTION 13

**The correct answer is C**

Interest on loan is the only cost that was wrongly classified  
Otherwise, A, B and D are selling and distribution expenses

## QUESTION 14

**The correct answer is C**

Traffic fines and tax fines are the only costs that are not part of the element of cost  
Otherwise, other options A, B and D are wrong because they form part of the element of cost

## QUESTION 15

**The correct answer is B**

Opportunity cost is the benefit foregone when one alternative is selected rather than another  
Other options are not correct like is

- A. Sunk cost refers to costs that have already been incurred and cannot be recovered.
- C. Differential cost refers to the difference between the cost of two alternative decisions. The cost occurs when a business faces several similar options, and a choice must be made by picking one option and dropping the other.
- D. Indirect cost is any cost not directly identified with a single, final cost of product.

## QUESTION 16

**The correct answer is B**

A Direct cost is a cost that can be directly traced to a cost unit  
And other options are wrong like A is indirect cost C and D are also indirect costs.

## QUESTION 17

**The correct answer is D**

A unit cost is also known as cost per unit or amount spent to produce one unit of a product

- A. The description given was for cost unit
- B. The description given was for cost centres
- C. Unit cost is not a cost centre nor a profit centre

## QUESTION 18

**The correct answer is D**

Fixed cost remains constant regardless of the production level

Other options are wrong like A non-recurrent expenses also include variable costs, B cost that increases and decreases at production level are called variable cost and C fixed cost can also be estimated

## QUESTION 19

**The correct answer is D**

The items that will appear in the Statement of Financial Position are non-current assets and Inventory which is A and C

Other options such as B - electricity expenses will appear in Income Statement.

## QUESTION 20

**The correct answer is A**

Capital is calculated by Total assets – Total liabilities

Other options are wrong like B instead of minus they have added

And C and D are wrong as they are considering equity which is already a matter of question under discussion

## QUESTION 21

**The correct answer is D**

Cost driver is a unit of an activity that causes a change in an activity's cost.

Other options are incorrect like is

A. Activity-Based Costing is a costing method that identifies activities in an organization and assigns the cost of each activity to all products and services according to the actual consumption by each

C. Cost pools is an accounting term that refers to groups of accounts serving to express the cost of goods and services allocatable within a business or manufacturing organization

## QUESTION 22

**The correct answer is A**

Total Cost =FC+VC

Total Cost =FRW1,500,000+450\*15000

Total Cost =FRW8,250,000

Other options are wrong like

B. has considered that fixed cost equals total cost FRW 1,500,000

C. has considered that total cost equals to variable cost only  $450*15000=$  FRW 6,750,000

D. has considered that total cost equals to VC-FC which is wrong  $6,750,000 - 1,500,000 = \text{FRW } 5,250,000$

### QUESTION 23

**The correct answer is A**

Reorder level = Maximum consumption  $\times$  Maximum reorder period =  $2,250 \times 18 = 40,500$  Kilograms

Other options are incorrect like,

B.  $2,250 \times 12 = 27,000$  Kilograms which is incorrect because it has used Minimum reorder period

C.  $750 \times 18 = 13,500$  Kilograms it has used Minimum consumption which is wrong

D.  $750 \times 12 = 9,000$  Kilograms it has used minimum consumption and Minimum reorder period which is wrong

### QUESTION 24

**The correct answer is B**

Minimum level = Reorder level – (Normal consumption  $\times$  Normal reorder period =  $40,500 - (1,500 \times 15) = 18,000$  Kilograms

Other options are incorrect like,

A.  $40,500 - (1,500 \times 18) = 13,500$  Kilograms it has used maximum reorder period

C.  $40,500 - (1,500 \times 12) = 22,500$  Kilograms it has used minimum reorder period

D.  $40,500 - (750 \times 15) = 29,250$  Kilograms it has minimum consumption instead of normal usage

### QUESTION 25

**The correct answer is C**

Maximum level = Reorder level + Reorder quantity – (Minimum consumption  $\times$  Minimum reorder period) =  $40,500 + 9000 - (750 \times 12) = 40,500$  Kilograms

Other options are incorrect like,

A.  $27,000 + 9000 - (750 \times 12) = 27,000$  Kilograms has used wrong calculated reorder level

B.  $13500 + 9000 - (750 \times 12) = 13,500$  Kilograms has used wrong calculated reorder level

D.  $40,500 + 9,000 - (750 \times 18) = 36,000$  Kilograms has used wrongly maximum reorder period

### QUESTION 26

**The correct answer is D**

The prime cost is obtained by Direct material + Direct labour + Direct expenses

Then  $5,000,000 + 1,500,000 + 800,000 = \text{FRW } 7,300,000$

Other options are wrong like

A. has considered that prime cost equals to the summation of all costs incurred FRW 9,000,000

B. has only excluded factory rent of FRW 7,800,000

C. has considered that prime cost only equals to direct material + direct labour worth FRW 6,500,000



### QUESTION 27

**The correct answer is A**

Total production cost is  $5000,000+1,500,000+800,000+1,200,000=500,000=$ FRW 9,000,000

Other options are wrong like is

B. has not included factory rent in production cost FRW 7,800,000

C. has not considered the indirect overheads FRW 8,500,000

D. has considered that Total production cost equals to total prime cost of FRW 7,300,000

### QUESTION 28

**The correct answer is C**

Total production cost is FRW 9,000,000

Mark up  $9,000,000*0.25=$ FRW 2,250,000

Sales value  $=9,000,000+2,250,000=$ FRW 11,250,000

Selling price per one Wedding cake is  $11,250,000/6000=$  FRW 1875

Other options are Wrong like;

A. has not used the value of markup to get selling value  $9,000,000/6000=$ FRW 1500

B. has only used the value of markup as selling value  $2,250,000/6000=$ FRW375

D. has used wrongly calculated production cost on QN 27 and has not also accounted for markup as  $7,800,000/6000=$ FRW 1300

### QUESTION 29

**The correct answer is D**

The term inventory is best described by 3 elements is raw materials, finished goods and work in Progress

That is why A, B and C are partly correct and when you combine them that is when they give the perfect meaning of inventory

### QUESTION 30

**The correct answer is C**

Last In, Last Out does not exist.

Otherwise, A, B and D are methods of inventory valuation

### QUESTION 31

**The correct answer is A**

First In, First Out is the best inventory valuation method when dealing with perishable goods like bread in this case.

Other options are wrong like B, C and D would consider issuing the last items received to be issued first which will lead to the items received earlier to continue perishing.

### QUESTION 32

**The correct answer is C**

The value of closing stock using FIFO is  $500 * 160,000 = \text{FRW } 80,000,000$

Other options are wrong like A has assumed that the value of remaining stock is a total of last receipt  $700 * 160,000 = \text{FRW } 112,000,000$

B has used a wrong unit price  $= 500 * 200,000 = \text{FRW } 100,000,000$

### QUESTION 33

**The correct answer is A**

The value of closing stock using LIFO is  $(200 * 220,000) + (300 * 160,000) = \text{FRW } 92,000,000$

Other options like B have valued closing inventory at  $500 * 220,000 = \text{FRW } 110,000,000$

C. Has valued closing stock at  $500 * 200,000 = \text{FRW } 100,000,000$

D. Has valued closing stock as  $300 * 220,000 + 200 * 160,000 = \text{FRW } 98,000,000$

### QUESTION 34

**The correct answer is B**

Cost of goods sold by using LIFO

Opening stock + purchases - Closing stock is  $220,000,000 + 192,000,000 - 92,000,000 = \text{FRW } 320,000,000$

A. has used wrong calculated closing stock in 33 C  $220,000,000 + 192,000,000 - 100,000,000 = \text{FRW } 312,000,000$

C. has also used wrong calculated closing stock in 33D which is  $220,000,000 + 192,000,000 - 98,000,000 = \text{FRW } 314,000,000$

### QUESTION 35

**The correct answer is A**

Cost of goods sold using FIFO was  $220,000,000 + 192,000,000 - 80,000,000 = \text{FRW } 332,000,000$

Other Options are wrong like

A. has used the wrong closing stock calculated in 32.A  $220,000,000 + 192,000,000 - 100,000,000 = \text{FRW } 312,000,000$

B. has used wrong calculated closing stock in 32.B  $220,000,000 + 192,000,000 - 112,000,000 = \text{FRW } 300,000,000$

### QUESTION 36

**The correct answer is A**

Gross profit is = Sales - Cost of goods sold

$404,000,000 - 320,000,000 = \text{FRW } 84,000,000$

Other Options are wrong because candidates have used the wrong calculated cost of goods sold in 34

Like B.  $404,000,000 - 312,000,000 = \text{FRW } 92,000,000$

C. 404,000,000-314,000,000=FRW 90,000,000

### **QUESTION 37**

**The correct answer is D**

All points given are correct because they clearly show what promotes labor turnover within an organization as below is

- A. Unscientific promotion policy
- B. Low wages, low bonus and absence of monetary incentives
- C. Hard nature of job, inadequate safeguards against accidents

### **QUESTION 38**

**The correct answer is A**

Differential piece work - employees are paid on the output achieved plus incentives on extra production as production increases.

Other options are wrong is

Like B., it is when employees are paid according to the hours worked plus some incentives to motivate them.

C. Piece work - it is when employees are paid according to the output, but the piece rate remains constant regardless of the production changes.

D. Time rate - it is when employees are paid according to hours worked and no additional bonus.

### **QUESTION 39**

**The correct answer is C**

Piece work it is when employees are paid according to the output, but the piece rate remains constant regardless of the production changes

Other Options are incorrect like

A. Differential piece work - employees are paid on the output achieved plus incentives on extra production as production increases.

B. it is when employees are paid according to the hours worked plus some incentives to motivate them.

D. Time rate - it is when employees are paid according to hours worked and no additional bonus.

#### **QUESTION 40**

**The correct answer is D**

Time rate is it is when employees are paid according to hours worked and no additional bonus.

Other Options are incorrect like

A. Differential piece work - employees are paid on the output achieved plus incentives on extra production as production increases.

B. it is when employees are paid according to the hours worked plus some incentives to motivate them

C. Piece work - it is when employees are paid according to the output, but the piece rate remains constant regardless of the production changes.

#### **QUESTION 41**

**The correct answer is B**

Total number of hours worked by GASIGWA

$$300 \text{ units} \times 3 = 900 / 60 = 15 \text{ hours}$$

Other options are incorrect like,

A. 8 hours has considered that he worked only hours allowed per day

C. 24 hours has considered that the employee worked the whole day

#### **QUESTION 42**

**The correct answer is A**

Basic pay = standard time x pay rate

$$8 \text{ hours} \times \text{FRW}3000/\text{hr} = \text{FRW} 24,000$$

Other options are wrong like,

B.  $15 \text{ hours} \times \text{FRW}3000/\text{hr} = \text{FRW} 45,000$  has taken all time that would be used to produce 300 units

C.  $24 \text{ hours} \times \text{FRW}3000/\text{hr} = \text{FRW} 72,000$  has considered all day

#### **QUESTION 43**

**The correct answer is A**

Gross pay = basic pay + bonus

$$\text{Bonus} = \frac{1}{2} (\text{Time saved} \times \text{Wage rate})$$

$$(7 \times 3000) / 2 = \text{FRW} 10,500$$

Gross pay =  $\text{FRW} 24,000 + 10,500 = \text{FRW} 34,500$  see basic pay calculated above

Other options are incorrect like,

B.  $\text{FRW} 24,000$  has considered that no bonus allowed to him

C.  $45,000 + 10,500 = \text{FRW} 55,500$  has used wrongly calculated basic pay see 42 above.

#### QUESTION 44

**The correct answer is D**

The production required is estimated sales +closing stock-opening stock

$$20,000+3000-4000= 19,000 \text{ bottles}$$

Other options are incorrect like

A.  $20,000+4000-3000=21,000$  bottles, added opening stock instead of deducting it.

B. 20,000 bottles, has imagined that only quantity to be sold will be produced

D.  $20,000+3,000=23,000$  bottles has forgotten to include quantity of opening stock.

#### QUESTION 45

**The correct answer is C**

Total kilograms of honey needed are

$$19,000 \times 1.5 = 28,500 \text{ kgs of Honey}$$

Then estimated production materials closing stock of raw material-Opening stock of raw material is  $28,500+53,000-50,000= 31,500$  kgs of Honey

Other options are incorrect like,

A.  $19,000 \times 1.5 = 28,500$  kgs has not considered the opening and closing stock of raw materials.

B.  $20,000 \times 1.5 = 30,000$  kgs has considered that they will only produce quantity equivalent to sales.

#### QUESTION 46

**The correct answer is A**

Cost Apportionment is known as the distribution of different cost items in proportions to the cost unit or cost Centre on a suitable basis.

Other options are incorrect like is

B is Cost allocation is the distribution of one cost across multiple entities, business units, or cost centers

C. is also wrong because it considers that all A and B are wrong, yet A is correct

#### QUESTION 47

**The correct answer is C**

Expected standard - Standards that help in controlling if what was planned was achieved

Other options are incorrect like;

A. Attainable standard is these are practical standards, which are tight but attainable. They can be attained through reasonable, though highly efficient, efforts by an average worker at a task.

B. Basic standard - These are long-term standards that would remain unchanged over the years

D. These are standards, which can be achieved under the best circumstances. They represent perfect performance

**QUESTION 48**

**The correct answer is A.**

Labor Variance is  $55,000,000 - 57,000,000 = \text{FRW } 2,000,000$  Adverse

Other Options are wrong like

B. has assumed that it is  $57,000,000 - 55,000,000 = \text{FRW } 2,000,000$  Favorable

C. has considered that actual equal to the variance  $\text{FRW } 57,000,000$  Favorable

**QUESTION 49**

**The correct answer is B**

$34,000,000 - 35,500,000 = \text{FRW } 1,500,000$  Adverse

Other Options are Wrong like

A.  $\text{FRW } 34,000,000$  Adverse, has assumed that variance equals to the budgeted Amount

C.  $\text{FRW } 35,500,000$  Favorable, has assumed that variance equals to the actual amount.

D. Has considered  $35,500,000 - 34,000,000 = \text{FRW } 1,500,000$  that give favorable variance

**QUESTION 50**

**The correct answer is B**

$\text{FRW } 11,000,000 - 10,000,000 = 1,000,000$  favorable

Other Options are wrong like is

A. has considered that variance equals to the actual overhead spent

C. has wrongly interpreted the formula like  $10,000,000 - 11,000,000 = \text{FRW } 1,000,000$  Adverse which is wrong the overhead cost has been reduced by one million.

**END OF MARKING GUIDE AND MODEL ANSWER**