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**CERTIFIED ACCOUNTING TECHNICIAN  
STAGE 1 EXAMINATIONS**

**S1.2: PRINCIPLES OF COSTING**

**DATE: MONDAY, 28 MARCH 2022**

**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.**

### QUESTION ONE

Which of the following best describes the term Partnership?

- A An arrangement between individuals to carry on business in common with a view towards profit.
- B A business that is owned and controlled by one person.
- C A company that is owned by three shareholders.
- D A business that is controlled by the Government.

(2 Marks)

### QUESTION TWO

Which of the following statements is true?

- A Capital expenditure is the purchase of assets for long term use in the business
- B Drawings is known as the money invested in the business for long-term use
- C Capital expenditure is the amount used to purchase items of short term use in the business
- D Statements A and B are wrong

(2Marks)

### QUESTION THREE

Mugisha is registered as a Certified Accounting Technician under stage one. He is not sure of some of the components that make up financial statements. Which of the following is (are) the component of financial statements?

- A Statement of Assets and Equity
- B Statement of financial position
- C Statement of profit or loss
- D B and C are correct

(2Marks)

### QUESTION FOUR

Which of the following branches of accounting gives financial information to the external parties of the organization?

- A Management accounting
- B Financial accounting
- C Cost accounting
- D Computerized accounting

(2Marks)

### QUESTION FIVE

Which of the following costs always change according to the level of activity?

- A Variable cost
- B Indirect cost
- C Semi variable cost
- D All of the above

(2Marks)

### QUESTION SIX

Which of the following statements is correct in relation to the main roles of management in a business?

- A Planning, organizing, and reporting
- B Planning, Controlling and Decision making
- C Hiring and evaluating employees
- D A and C are correct.

(2Marks)

The following information relates to question 7,8 and 9.

Mulindwa Ltd is a company registered in Rwanda since 2018 and its head office is located in Rulindo. The company uses the high-low method to estimate costs. Mulindwa Ltd provided the following data for the last year 2021 as follows:

Total costs of FRW10,000,000 at its lowest level of activity, when 10,000 units were produced. While, at its highest level of activity of 24,000 units, total costs were FRW 15,600,000

### QUESTION SEVEN

Mulindwa Ltd would estimate variable cost per unit for next year's production as:

- A FRW 1000
- B FRW 650
- C FRW 400
- D FRW 753

(2Marks)

### QUESTION EIGHT

Mulindwa Ltd would estimate fixed costs as:

- A FRW 5,600,000
- B FRW 9,100,000
- C FRW 6,000,000
- D FRW 25,600,000

(2Marks)

### QUESTION NINE

Which of the following will be the total cost of Mulindwa Ltd at a production level of 8000 units?

- A FRW 9,200,000
- B FRW 13,600,000
- C FRW 14,300,000
- D FRW 31,624,000

(2Marks)

### QUESTION 10

Which of the following would be classified as a credit transaction?

- A Sale of goods paid by cheque
- B Sale of goods paid by Cash
- C Purchase of goods for which payment will be made in next two months
- D Purchase of goods paid for using credit card

(2Marks)

### QUESTION 11

Which of the following best describes trade receivables?

- A A person owing money to the business in return to the goods supplied
- B A person whom the business owes money in return for the goods supplied
- C A and B are wrong
- D A person who has purchased goods from the business and paid by cheque

(2Marks)

The following information relates to questions 12 and 13

The cost accountant of Iriba Ltd, a company that manufactures charcoal from waste has been asked by management to classify their cost by function for facilitate management to take decision regarding cost control and he has presented them as follows., Choose the cost that were incorrectly classified by the cost accountant as:

### QUESTION 12

Production costs

- A Direct materials used for making charcoal
- B Wages of direct labor involved in the production of charcoal
- C Advertisement expenses
- D Electricity consumed by machines that manufacture charcoal

(2Marks)

**QUESTION 13**

**Selling and Distribution cost**

- A. Delivery cost to customers
- B. Sales team wages
- C. Interest on loan
- D. Advertisement expenses

**(2Marks)**

**QUESTION 14**

**Which of the following is not an element of cost**

- A. Raw materials and direct labour
- B. Indirect material and indirect labour
- C. Traffic fines and tax fines
- D. A and B are wrong

**(2Marks)**

**QUESTION 15**

**Which of the following terms best describes the benefit that is foregone when another alternative is taken?**

- A. Sunk cost
- B. Opportunity cost
- C. Differential cost
- D. Indirect cost

**(2Marks)**

**QUESTION 16**

**Mugore is an unexperienced accountant and has approached you as a CAT finalist for guidance to help her select the best description of a direct cost among the following list:**

- A. A cost which is directly shared by one or more cost center's
- B. A cost that can be directly traced to a cost unit
- C. A cost that is paid for in cash
- D. A cost that is incurred by the factory

**(2Marks)**

**QUESTION 17**

**Which of the following correctly describes a unit cost?**

- A. Unit of quantity of product, service, or time in relation to which costs may be ascertained or expressed
- B. A location, person or an item of equipment or a group of these for which costs are ascertained and used for cost control

C. Centers having the responsibility of generating and maximizing profits

D. It is also known as cost per unit, it is the amount of cost incurred to produce one unit of a product

(2Marks)

### QUESTION 18

Which of the following best defines fixed cost?

A. A non-recurrent cost

B. A cost that increases and decreases according to production

C. A cost that cannot be estimated

D. A cost that remains constant throughout the production level

(2Marks)

The following information relates to questions 19 and 20.

### QUESTION 19

Donat is the Accountant of M&E Ltd. During the year 2021, he prepared a Statement of Financial Position (SOFP) for approval by the board of directors, and he has approached you as a professional accountant to guide him on the items that should appear in the Statement of Financial Position. Which among the following items will appear there?

A. Non-current assets

B. Electricity expenses

C. Inventory

D. A and C are correct

(2Marks)

### QUESTION 20

Which of the following formula would help the accountant of M and E Ltd to know their initial capital?

A. Total assets – Total Liabilities

B. Total assets + Total Liabilities

C. Total Liabilities + Equity

D. Equity + Expenses

(2Marks)

**QUESTION 21**

The cost of an activity can change because of one of the following factors. Choose that factor from the list below.

- A Activity Based Costing (ABC)
- B Driver rates
- C Cost pool
- D Cost drivers

**(2Marks)**

**QUESTION 22**

The total cost function of Ruhuka Ltd is  $Y = \text{FRW } 1,500,000 + 450X$ . Which of the following would be the total cost of Ruhuka Ltd at a production volume of 15,000 units?

- A FRW 8,250,000
- B FRW 1,500,000
- C FRW 6,750,000
- D FRW 5,250,000

**(2Marks)**

**The following information relates to the question 23, 24 and 25**

Muto Manufacturing Ltd is a company that is located in GAKENKE District specifically in Rwaza Sector. The company manufactures mango juice by using mango fruits that they buy both locally and internationally. During the past two years, the company has been operating at a loss due to inability to meet the demand of customers and the insufficient stock of raw material for production due to a long time it takes to get raw materials from suppliers. They have gathered the following information for your advice:

- Normal usage 1,500 Kilograms per week
- Minimum usage 750 Kilograms per week
- Maximum usage 2,250 Kilograms per week
- Reorder quantity 9,000 Kilograms
- Reorder period 12 - 18 weeks

**QUESTION 23**

Which of the following would be the Reorder level in Kilograms for Muto Manufacturing Ltd?

- A 40,500 Kilograms
- B 27,000 Kilograms
- C 13,500 Kilograms
- D 9,000 Kilograms

**(2Marks)**

**QUESTION 24**

Which of the following would be the Minimum level in Kilograms for Muto Manufacturing Ltd?

- A 13,500 Kilograms
- B 18,000 Kilograms
- C 22,500 Kilograms
- D 29,250 Kilograms

**(2Marks)****QUESTION 25**

Which of the following would be the Maximum level in Kilograms for Muto Manufacturing Ltd?

- A 27,000 Kilograms
- B 13,500 Kilograms
- C 40,500 Kilograms
- D 36,000 Kilograms

**(2Marks)**

The following information relates to questions 26,27 and 28.

Nikwakundi Ltd is a company that was established by college graduates after a number of years of unemployment. Nikwakundi Ltd is currently located in Kigali city and it produces wedding cakes. The management is not sure of the production cost and the pricing of cakes, which led to the unexpected losses during the year 2021. They have tried to keep some records for cost accounting purpose as follows:

Particulars	Amount in FRW
Direct materials used to make wedding cakes	5,000,000
Wages of factory workers	1,500,000
Factory rent	1,200,000
Indirect Overheads	500,000
Direct expenses	800,000

- i. It is the company policy to price its product at 25% Mark up
- ii. During the year 2021 the company produced 6000 wedding cakes

**QUESTION 26**

Which of the following perfectly shows the prime cost of Nikwakundi Ltd?

- A FRW 9,000,000
- B FRW 7,800,000
- C FRW 6,500,000
- D FRW 7,300,000

**(2Marks)**



**QUESTION 27**

**Which of the following would be the total production cost for NIKWAKUNDI Ltd?**

- A FRW 9,000,000
- B FRW 7,800,000
- C FRW 8,500,000
- D FRW 7,300,000

**(2Marks)**

**QUESTION 28**

**Which of the following would be the selling price of one wedding cake?**

- A FRW 1500
- B FRW 375
- C FRW 1875
- D FRW 1300

**(2Marks)**

**QUESTION 29**

**Which of the following best describes the term Inventory?**

- A Items that are ready to be used in production
- B Items that have been completed and ready for sale
- C Items that are partly completed
- D A, B and C are correct

**(2Marks)**

**QUESTION 30**

**Which of the following is not an inventory valuation method?**

- A First In, First Out
- B Weighted average pricing
- C Last In, Last Out
- D Last In, First Out

**(2Marks)**

**QUESTION 31**

NIYO Ltd is a company that deals in the supply of bread to different schools located in Kigali.

**Which among the following would be the best Inventory valuation method for NIYO Ltd?**

- A First In, First Out (FIFO)
- B Weighted average method
- C Last In, Last Out (LILO)
- D Last in, First Out (LIFO)

**(2Marks)**

The following information relates to question 32, 33, 34, 35 and 36

The following transactions were extracted from the inventory records of TIG Ltd, a Wholesaler of Iruhuko mattresses for the second semester of the year 2021:

Date	Transaction	Quantity	Unit purchase Price (Frw)
01 July 2021	Opening balance	1,000	220,000
10 August 2021	Receipt	400	200,000
20 September 2021	Sales	1,200	250,000
25 October 2021	Receipt	700	160,000
30 December 2021	Sales	400	260,000

**QUESTION 32**

Which of the following would be the value of closing stock using FIFO?

- A FRW 112,000,000
- B FRW 100,000,000
- C FRW 80,000,000
- D None of the above

(2Marks)

**QUESTION 33**

Which of the following would be the value of closing stock if LIFO were used?

- A FRW 92,000,000
- B FRW 110,000,000
- C FRW 100,000,000
- D FRW 98,000,000

(2Marks)

**QUESTION 34**

Which of the following was the value of cost of goods sold for TIG Ltd by using LIFO?

- A FRW 312,000,000
- B FRW 320,000,000
- C FRW 314,000,000
- D None of the above

(2Marks)

**QUESTION 35**

**Which of the following was the value of Cost of goods sold by using FIFO?**

- A FRW 332,000,000
- B FRW 312,000,000
- C FRW 300,000,000
- D None of the above

**(2Marks)**

**QUESTION 36**

**Identify the value of gross profit for TIG Ltd in the following figures assuming LIFO method was used.**

- A FRW 84,000,000
- B FRW 92,000,000
- C FRW 90,000,000
- D None of the above

**(2Marks)**

**QUESTION 37**

**Which of the following is a Cause for High Labour Turnover?**

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

**(2Marks)**

**The following information relates to questions 38, 39 and 40.**

Rukundo Ltd is a company that manufactures Ubwiza products, it was established in January 2021 resulting from a campaign of promoting Made in Rwanda. The management of the company has decided to remunerate their employees using different methods so that all employees would be motivated. The employees were classified as under, and you are required to show the method of remuneration this company has adopted.

**QUESTION 38**

**Production workers are paid for output achieved and receive incentives as production increases.**

**Which type of remuneration method is this?**

- A Differential piece work
- B Time rate plus bonus
- C Piece work
- D Time rate

**(2Marks)**

**QUESTION 39**

Sales and Marketing Employees are paid only for the output achieved. Which type of remuneration method is this?

- A Differential piece work
- B Time rate plus bonus
- C Piece work
- D Time rate

**(2Marks)**

**QUESTION 40**

Human resources and Finance Team are paid only for the hours worked. Which type of remuneration method is this?

- A Differential piece work
- B Time rate plus bonus
- C Piece work
- D Time rate

**(2Marks)**

The following information relates to question 41, 42 and 43

Ndinzi and Sons Ltd operates a time rate system of remuneration. Three minutes is a standard time allowed per unit of Output. The Standard rate is FRW 3000 per standard hour for an eight-hour working day; Gasigwa produced 300 units in eight hours on a particular day.

**QUESTION 41**

Which of the following indicates total number of hours worked by Gasigwa?

- A 8 hours
- B 15 hours
- C 24 hours
- D None of the above

**(2Marks)**

**QUESTION 42**

What is the basic pay of Gasigwa?

- A FRW 24,000
- B FRW 45,000
- C FRW 72,000
- D None of the above

**(2Marks)**

**QUESTION 43**

**What is the total unit labour cost of Gasigwa for that particular day using HALSEY bonus scheme?**

- A FRW34,500
- B FRW 24,000
- C FRW 55,500
- D None of the above

**(2Marks)**

**The following information relates to questions 44 and 45.**

Tripartite Ltd manufactures and sells one product Ururo yoghurt, which requires 1.5 kgs of honey as a rawmaterial to make a single bottle of Ururo yoghurt. The budgeted Units relating to the next year 2023 period are as follows:

Sales of Ururo Yoghurt	20,000
Opening inventory of Ururo yoghurt	4,000
Closing Inventory of Ururo Yoghurt	3000
Opening Inventory of Raw Materials	Kg 50,000
Closing inventory of raw materials	Kg 53,000

**QUESTION 44**

**What would be the Production budget for TRIPARTITE Ltd for the year 2023?**

- A 21,000 bottles of Ururo yoghurt
- B 20,000 bottles of Ururo yoghurt
- C 23,000 bottles of Ururo yoghurt
- D 19,000 bottles of Ururo yoghurt

**(2Marks)**

**QUESTION 45**

**What will be the budgeted raw material purchases for the next year 2023 period to meet the required production?**

- A 28,500 kgs of Honey
- B 30,000 kgs of Honey
- C 31,500 kgs of Honey
- D None of the above

**(2Marks)**

**QUESTION 46**

The distribution of different cost items in proportions to the cost unit or cost Centre on a suitable basis is known as?

- A Cost Apportionment
- B Cost Allocation
- C A and B are correct
- D None of the above

**(2Marks)**

**QUESTION 47**

Which of the following standard is best suited for cost control objective?

- A Attainable standard
- B Basic standard
- C Expected standard
- D Ideal standard

**(2Marks)**

The following information relates to questions 48, 49 and 50

Mutesi Ltd a company located in GICUMBI and has extracted the following data for you as candidate in CAT Rwanda.

**Cost Structures**

Cost Type	Budget FRW '000'	Actual FRW'000'
Materials	235,000	220,000
Labour	55,000	57,000
Production Overheads	34,000	35,500
Administration Overheads	11,000	10,000

**QUESTION 48**

Which of the following would be the labour Variance for Mutesi Ltd?

- A FRW 2,000,000 Adverse
- B FRW 2,000,000 Favorable
- C FRW 57,000,000 Favourable
- D None of the above

**(2Marks)**

**QUESTION 49**

**Which of the following would be the production overhead Variance for MUTESI Ltd?**

- A FRW 34,000,000 Adverse
- B FRW 1,500,000 Adverse
- C FRW 35,500,000 Favourable
- D FRW 1,500,000 Favourable

**(2Marks)**

**QUESTION 50**

**Which of the following would be an administration overhead Variance for Mutesi Ltd?**

- A FRW 10,000 Adverse
- B FRW 1,000,000 Favourable
- C FRW 1,000,000 Adverse
- D None of the above

**(2Marks)**

**End of question paper**

