
CERTIFIED ACCOUNTING TECHNICIAN (CAT)
STAGE 2 EXAMINATIONS
S2.2 MANAGING COSTS AND CASH FLOWS
DATE: THURSDAY 28, AUGUST 2025
MARKING GUIDE AND MODEL ANSWERS

Marking guide

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

QUESTION ONE

Correct answer is A

- B** Is not correct as it is describing negative correlated investments
- C** Is not correct as it is describing the investments with no correlation
- D** Is not correct as A is the correct answer

QUESTION TWO

Correct answer is D

- A, B and C** risk, return and liquidity are all main factors that should be considered when determining how to invest any surplus

QUESTION THREE

Correct answer is D

- A, B and C** are all correct as they are all the three perspectives that financial risk can be seen (The company as a whole, suppliers/lenders and ordinary shareholders)

QUESTION FOUR

Correct answer is B

- A** Is not correct because a new customer's credit limit may be fixed at a lower level and only increased if the payment record subsequently warrants it
- C** is not correct because points would be awarded according to the characteristics of the customer, and the amount of credit that is offered would depend on his or her credit score
- D** Is not correct because B is correct

QUESTION FIVE

Correct answer is C,

- A** Is not correct because labour hours are not the basis of assembly department but machine hours
- B** Is not correct because it used the total overheads of finishing department yet it should have used assembly related costs
- D** Is not correct because C is correct

QUESTION SIX

Correct answer is A

- B** Is not correct because, it used the total machine hours in assembly cost center yet it should have used finishing related labour hours
- C** Is not correct because it is the overhead absorption rate of assembly cost center
- D** Is not correct because A is correct

QUESTION SEVEN

Correct answer is D

A, B and C all represent possible overhead absorption base

Workings related to question 8-10

Efficiency ratio= (Expected hrs to make output/Hours taken) *100
= (54,000*4)/240,000= 90%

Capacity utilization ratio= Actual Hrs worked/ budgeted hours
=240,000/200,000*100%=120%

Production volume ratio= Expected hours to make output/Budgeted hours
= (54,000*4)/200,000) *100=108%

QUESTION EIGHT

Correct answer is B

A is not correct because it represents production volume ratio not efficiency ratio

C is not correct because it represents capacity utilization ratio not efficiency ratio

D is not correct because B is the correct answer

QUESTION NINE

Correct answer is C

A Is not correct because it represents production volume ratio not capacity utilization ratio

B Is not correct because it represents efficiency ratio not capacity utilization ratio

D Is not correct because C is the correct answer

QUESTION 10

Correct answer is A

B Is not correct because it represents capacity utilization not production volume ratio

C Is not correct because it represents efficiency ratio not production volume ratio

D Is not correct because A is the correct answer

QUESTION 11

Correct answer is A (prime cost= direct material+ direct labour+ direct expense)

B Is not correct because it represents the total direct and indirect costs

C Is not correct because it added up the total direct and indirect material and labour

D Is not correct because A is correct

QUESTION 12

Correct answer is C

A Is not correct because cost centre is an area of the business for which costs are to be gathered

B Is not correct because revenue centre is an area of the business which generate revenue

D Is not correct because even though it is similar to a profit centre, the difference being that the manager of an investment centre is responsible not only for the profit that is earned by the area of the business but also the net assets of the area of the business

QUESTION 13

Correct answer is A

B is not correct because it included maintenance of the existing earning capacity of non-current assets related cost which is revenue expenditure

C is not correct because it ignored the cost related to the purchase of equipment

D is not correct because the correct answer is A

QUESTION 14

Correct answer is C

A Is not correct because it ignored the cost of maintenance of the existing earning capacity of non-current assets as revenue expenditure

B Is not correct because it included the cost of purchase of office equipment as the revenue expenditure yet it is capital expenditure

D Is not correct because C is the correct answer

QUESTION 15

Correct answer is A

B Is not correct answer because it represents the annual demand not the EOQ

C Is not correct because the carrying cost percentage has not been applied on the purchase price in the denominator of the formula

D Is not correct because A is correct

QUESTION 16

Correct answer is B

A Is not correct because it is wrongly calculated by taking ordering cost per unit multiplied by the EQO

C Is not correct as it considered ordering cost per unit as total ordering costs at the EOQ

D Is not correct because B is correct

QUESTION 17

The correct answer is C

A Is not correct because it does not take into account credit sales made during the period

B Is not correct because it does not take into account opening balance therefore closing will not be accurate.

D Is not correct because does not accurately represent the outstanding receivables at the end of the period.

QUESTION 18

Correct answer is C (Number of room nights=80 rooms*70%*31 days)

A Is not correct because it does not apply the number of days of the month of October

B Is not correct because 80 rooms is the number of rooms not room nights per month

D Is not correct because it does not apply the occupancy rate of 70%

QUESTION 19

Correct answer is D

A Is not correct because controllable variance is the one which can be rectified by manage

B Is not correct because feedforward is when a variance is foreseen, the manager might take corrective action in advance of the problem in order to avoid a variance

C Is not correct because uncontrollable variance is due to external factors beyond the managers' control

QUESTION 20

Correct answer is D (As spare labour capacity exists and labour is already paid; there is no future cash flow associated with putting that labour to work)

A Is not correct because it considered that that all 180 hours will be relevant costs

B Is not correct it considered that 100 hours will be relevant

C Is not correct because it considered that remaining 80 hours will be relevant cost

QUESTION 21

Correct answer is B (The material is in inventory but is no longer available to purchase. This means that the 100 kg required could not be replaced. However, if taken, then 25 units of product K (being 100 kg / 4kg per unit) would not be produced and sold. This would result in lost contribution of FRW 25,000 to C Ltd (25 units * FRW 1,000 per unit). Thus, the future incremental cash flow impact of using 100 kg of material for this job is FRW 25,000)

A Is not correct because the (100 kg* FRW1,000) is not relevant costs

C Is not correct because (350 kg * FRW 1,000) is not relevant costs

D Is not correct because B is correct

QUESTION 22

Correct answer is C

A Is not correct because fixed cashflow is the type of cashflow which is fixed and never change

B Is not correct because irregular is not necessarily something that is done every six months, but rather as and when required. are cash flows that occur fairly infrequently and with no set pattern

D Is not correct because irregular cashflow generally take place every week, every month, every quarter or annually

QUESTION 23

Correct answer is C

- A** Is not correct because over-capitalisation is where a business has surplus assets that are being under-utilised because of over-investment in working capital
- B** Is not correct because fiduciary duty is a duty of care and trust which one person or entity owes to another
- D** Is not correct because C is correct

QUESTION 24

Correct answer is A

- B** Is not correct because it is describing the invoice discounting service not factoring
- C** Is not correct as it is describing the meaning of financial intermediation not factoring
- D** Is not correct as A is correct

QUESTION 25

Correct answer is D

- A** Is not correct because financial intermediation is the process of banks taking deposits from customers to lend to others
- B** Is not correct because principal agent relationship is ownership and management is in different hands
- C** Is not correct because factoring is an arrangement to have debts collected by another company, which advances a proportion of the money it is due to collect

QUESTION 26

Correct answer is A

- B** Is not correct because it used a wrong formula by subtracting both depreciation expense and opening balance from the closing balance
- C** Is not correct because it wrong used the formula by adding both opening and closing balance of non-current assets and less depreciation
- D** Is not correct because A is correct

Workings

	52 M		188 M		28 M
Opening balance	80	Opening balance	80	Closing balance	120
Less depreciation	-12	Closing balance	120	Opening balance	-80
	68		200		40
Closing balance	120	Less depreciation	-12	Less depreciation	-12
Cash expenditure	52	Cash expenditure	188	Cash expenditure	28

QUESTION 27

Correct answer is D

A, B and C (Financial statements, Management reports and operational budgets) are all internal sources of information for cash budget preparation.

QUESTION 28

Correct answer is C

A Is not correct because it used profits instead of using cashflows in calculating the payback period

B Is not correct because it wrongly applied the payback period formula by using the year in which the recovery of investment was made instead of using the year before the recovery.

D Is not correct because C is correct

Workings

3 years and 7 months

Payback period = The year before recovery+ (amount remaining to recover/cashflow in the year of recovery)

Pay ack period= 3years+(3,500,000/6,000,000)

Payback period= 3.58 years= 3 years 7 months

4 years and 11 months

Payback period X= 4years+(5,500,000/6,000,000)

Payback period= 4.92 years= 4 years and 11 months

4 years and 7 months

Payback period X= 4years+(3,500,000/6,000,000)

Payback period= 4.58 years= 4 years and 7 months

Year	Project X	Cum. profits	Depr.	Cashflows	Cum. Cashflows
	Frw	Frw	Frw	Frw	Frw
0	-15,000,000	-15,000,000		-15,000,000	-15,000,000
1	2,000,000	-13,000,000	2,000,000	4,000,000	-11,000,000
2	2,500,000	-10,500,000	2,000,000	4,500,000	-6,500,000
3	1,000,000	-9,500,000	2,000,000	3,000,000	-3,500,000
4	4,000,000	-5,500,000	2,000,000	6,000,000	2,500,000
5	6,000,000	500,000	2,000,000	8,000,000	10,500,000

QUESTION 29

Correct answer is C. Break-Even quantity is 38,000 units and Break-even sales is FRW 30,400,000

A Is not correct because it represents the point of break-even quantity and fixed cost not break-even point

B Is not correct because it represents break even quantity only not break-even point

D Is not correct because it represents break even sales in FRW only not break-even point

QUESTION 30

Correct answer is C. Margin of safety in units is 7,000 units and in terms of percentage is 16%

A Is not correct because the margin of safety in terms of percentage is wrongly calculated by dividing margin of safety in units by break-even quantity instead of using budgeted units

B Is not correct because 45,000 units is not margin of safety but budgeted quantity

D Is not correct because 38,000 units is the break-even quantity not margin of safety and the percentage is wrongly calculated by dividing margin of safety in units by break-even quantity instead of using budgeted units

QUESTION 31

Correct answer is A

B Is not correct because it represents the break-even quantity not the target quantity to be produced to earn a profit of FRW 10Million

C Is not correct because it represents the total of break-even quantity and budgeted quantity which is not the quantity to be produced to earn FRW 10 million

D Is not correct because A is correct

QUESTION 32

Correct answer is B

A Is not correct because FRW 135,700,000 is the total costs of producing 200,000 notebooks not the fixed costs

C Is not correct because FRW 30,400,000 represents the break-even sales not the fixed costs

D Is not correct because B is correct

QUESTION 33

Correct answer is D

A, B and C is not correct because they are all the main reasons of absorption costing

QUESTION 34

Correct answer is B

A Is not correct because it represents the profit not contribution per unit

C Is not correct because it represents contribution per unit produced not units sold

D Is not correct because it represents profit per unit produced not sold

	FRW
Sales (20,000 *20000)	400,000,000
Opening inventory	-
Variable production costs (10,000*30000)	300,000,000
Less closing inventory (10000*10000)	-100,000,000
Variable cost of sales	200,000,000
Contribution	200,000,000
Less fixed costs	-145,000,000
Profit/Loss	55,000,000
Quantity sold	20,000
Profit per unit	2,750
Contribution per unit	10,000
Contribution per unit produced	6,667
Profit per unit produced	1,833

QUESTION 35

Correct answer is D

A, B and C are all among the types of comparison in budgeting

QUESTION 36

Correct answer is C (FRW 2,000,000/5,000 Units=FRW 400* 6,000 units- FRW 2,400,000)

A Is not correct because it used the budgeted material costs without flexing the actual production in the budget and compare it with actual production and made it Adverse

B Is not correct because it used the budgeted material costs without flexing the actual production in the budget and compare it with actual production and made it favorable

D Is not correct because C is correct

QUESTION 37

Correct answer is A

B Is not correct because cyclical variation are those variations which occur due to general economic factors

C Is not correct because seasonal variations are due to timing and changes in seasons

D Is not correct because are variations due to unexpected events

QUESTION 38

Weeks	Days	Production	Trends in Units
Week 1	Monday	1,400	
	Tuesday	1,600	
	Wednesday	1,800	1,600
	Thursday	1,200	1,820
	Friday	2,000	1,880
Week 2	Monday	2,500	1,940
	Tuesday	1,900	1,990
	Wednesday	2,100	2,080
	Thursday	1,450	
	Friday	2,450	

Correct answer is A

B Is not correct because it is the total production units not 5 days moving average

C Is not correct because it is the second trends in unit using 5 days moving average

D Is not correct because A is correct

(2 Marks)

QUESTION 39

Correct answer is C

Quarters	Seasonal variation	Forecast trend FRW million	Estimated sales figure
Quarter 1	0.97	380,200	368,794
Quarter 2	1.3	385,800	501,540
Quarter 3	0.64	391,400	250,496
Quarter 4	1.09	397,000	432,730
			1,553,560

A Is not correct because it represents the total annual estimated sales

B Is not correct because it represents the estimated sales of first quarter

D Is not correct because C is correct

QUESTION 40

Correct answer is B

A Is not correct because extrapolation is to estimate future figures based upon the past trend and seasonal variations that have been calculated

C Is not correct because multiplicative/ proportional model of time series each actual figure is expressed as a proportion of the trend

D Is not correct because B is correct

QUESTION 41

Correct answer is A

B Is not correct because it assumed that all November 2023 sales will be on cash

C is not correct because it wrongly applied the 50% on the 100 % sales of November 2023 instead on 60%

D Is not correct because A is correct

QUESTION 42

Correct answer is A

B Is not correct because it wrongly applied the 50% on the 100 % sales of December 2023 instead on 60%

C Is not correct because it represents the total sales of December not total cash receipts

D Is not correct because A is correct

	01/08/2023	01/09/2023	01/10/2023	01/11/2023	01/12/2023	01/01/2024
Sales quantity	9,000	11,000	17,000	15,000	14,500	10,000
Selling price per unit	1,000	1,000	1,200	1,500	800	1,100
Total sales	9,000,000	11,000,000	20,400,000	22,500,000	11,600,000	11,000,000
60% Credit	5,400,000	6,600,000	12,240,000	13,500,000	6,960,000	6,600,000
40% cash	3,600,000	4,400,000	8,160,000	9,000,000	4,640,000	4,400,000
50% one month		2,700,000	3,300,000	6,120,000	6,750,000	3,480,000
50% two months			2,700,000	3,300,000	6,120,000	6,750,000
Total cash receipts	3,600,000	7,100,000	14,160,000	18,420,000	17,510,000	14,630,000

QUESTION 43

Correct answer is C

A Is not correct because it considered as if rent will be paid monthly which is incorrect

B Is not correct because it only considered wage payment and ignored rent payment

D Is not correct because C is correct

QUESTION 44

Correct answer is B

A Is not correct because it considered as if rent will be paid monthly which is incorrect

C Is not correct because it assumed that the rent payment will be made in November which is not correct

D Is not correct because C is correct

	September	October	November	December
	FRW	FRW	FRW	FRW
Rent		6,000,000		
Wages	2,500,000	2,500,000	2,500,000	2,500,000
Total	2,500,000	8,500,000	2,500,000	2,500,000

QUESTION 45

The correct answer is C

- A** Is not correct because the answer is gotten considering that the 100% of sales and purchases will be paid in the month and the monthly rent will be paid
- B** Is not correct because the answer is gotten considering that the 100% of sales and purchases will be paid in the month
- D** Is not correct because it assumed that the company has been trading. It has received different payments from previous months and the payment of rent expenses yet it is not correct

QUESTION 46

Correct answer is B

- A** Is not correct because it represents the maximum cash balance after considering the overdraft/ investment
- C** Is not correct because it considered that the 100% and purchase will be paid in the same month
- D** Is not correct because it represents the bank overdraft needed not the balance before the overdraft

QUESTION 47

Correct answer is A (Opening balance +Credit Sales-Closing sales)

- B** Is not correct because it added all three items (Opening balance +Credit sales +Closing balance)
- C** Is not correct because it added credit sales to closing balance and less opening inventory
- D** Is not correct because it represents the credit sales

QUESTION 48

Correct answer is B (0.20/365 days) *(45 days-7 days)

- A** Is not correct because it is the overdraft annual interest rate not maximum discount to offer to clients
- C** Is not correct because it represents the daily interest rate not the maximum discount not offer
- D** Is not correct because B is correct

QUESTION 49

Correct answer is D (interest rate/365 days) *(receivable days-days of discount)

A Is not correct because is the annual interest rate

B Is not correct because it represents the interest rate divided by 365 days the times 10 days instead of 25 days

C Is not correct because is the daily interest rate

QUESTION 50

The correct answer is D

A, B and C are incorrect as they are all the examples of initial investment costs

End of Marking Guide and Model Answers.