
CERTIFIED ACCOUNTING TECHNICIAN
STAGE 1 EXAMINATIONS
S1.2: PRINCIPLES OF COSTING
DATE: MONDAY, 23 AUGUST 2021

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.

1 Which of the following is the main difference between a sole trader and a partnership on the one hand and a limited company on the other in the concept of limited liability?

- A Owners of a limited company will be liable to all outstanding debts of the business in case the company declare bankrupt but a sole trader and partnership will not.
- B Sole trader and partnership owners have a limited liability in case their business declare insolvent but the shareholders of a limited company have unlimited liability.
- C A sole trader or partners are personally liable for any outstanding debts in case the business runs out of the money and is declared bankrupt but the shareholders of a company have limited liability.
- D Either the shareholders of a company or a sole trader or partners has unlimited liability.

(2Marks)

2 Which of the following statements is correct for a credit transaction?

- A Payment can be done anytime by the customers of the business.
- B Prompt payment is encouraged and the customers who pay earlier receive a discount.
- C Payment is done after receiving goods and services and the customer pays when he/she reaches home in order to make sure that he/she is safe.
- D None of the above.

(2Marks)

3 Shower Ltd is a company operating in Rwanda and is specialized in selling baby related items and other goods used in celebration of baby showers, bridal showers, birthday events and all other kinds of events. Cynthia Uwimana and her husband are expecting their first baby in two weeks' time. Keza, Cynthia's friend, prepared her a baby shower event and bought a cake, gifts, baby clothes and some toys to be used to surprise Cynthia, from Shower Ltd amounting to Frw 500,000 (Cake Frw 100,000 paid using Mobile Money, a new Italian dress Frw 150,000 paid using a bank transfer immediately, baby clothes Frw 100,000 paid using an ATM card on a POS machine, a new pair of high heel shoes for Frw 80,000 paid cash and decoration materials amounting to Frw 70,000 which were promised to be paid for after two weeks together with the return of all borrowed decoration materials (toys)

Which of the following statements is correct?

- A Cake, New Italian dress and toys are cash transactions.
- B Toys, High heel shoes, baby clothes, cakes and Italian dress are credit transactions.
- C All transactions done are cash transaction.
- D All transaction except decoration materials (Toys) are cash transaction.

(2Marks)

4 Which of the following is the main purpose of financial accounting?

- A Preparation of the financial statements which helps the management in decision making process
- B Preparation of financial statements including Income statement, Statement of financial position, Cash flow statement, Statement of change in equity and notes to the financial statements which are used by both internal and external stakeholders
- C To Prepare cash flow statement for the management and shareholders to analyse the liquidity of the business
- D Providing information used to list the company on stock exchange market

(2Marks)

5 Which of the following statements excluded from characteristics of management accounting?

- i. It never participates in business transactions and operations except sitting and relax and be paid after month end;
 - ii. Helps the management in decision making;
 - iii. It always focuses on the cost incurred by the business;
 - iv. It always focuses on the inventory and other asset valuation of the business;
 - v. It involves the liquidity and payment of shareholder's dividend at the end of the period.
- A (i), (ii) and (iv)
 - B (ii), (iii), (v)
 - C (i) and (v)
 - D (i), (iv) and (v)

(2Marks)

6 Management accounting and financial accounting have the same source of information but differ from their concern and usefulness of the information in the organization. **Which among the following uses information to prepare a report given to management and other internal stakeholders for decision making and future planning of the business to achieve its goals and objectives?**

- A Management accountant and reporting department
- B Financial department headed by the director of finance
- C Management and executive department
- D Management accounting

(2Marks)

The following information is relevant to questions 7 and 8

Gakondo Ltd is a company dealing in the development of Rwandan culture and employs different employees who are involved in cultural events promotion and dancing. Employees are paid based on the hours spent in events and a bonus is given to the employee

who attend VIP and semi-VIP events. Overtime payment is given to an employee who spends more than 5 hours. Consider the table below:

S/N	Nature of event	Normal payment per hour (Frw)	Bonus per hour (Frw)	Overtime payment per hour
1	VIP	5,000	3,000	None
2	Semi VIP	3,000	2,000	None
3	Normal	2,500	None	10% of normal payment per hour

During the last month the following events took place in Gakondo Ltd as follows:

- i. Sentore, one of the employees of Gakondo Ltd, participated in 5 VIP events and spent 5 hours in each event except for 2 VIP events where he spent 3 hours in excess.,
- ii. During the same month, Sentore participated in 3 semi-VIP events and spent 5 hours in one and the remaining 2, he spent 2 hours in excess in each event and Normal event were attended by Sentore and spent 9 hours.

7 What is the total wage of Sentore for the events attended to be paid by Gakondo Ltd?

- A Frw 799,500
- B Frw 798,500
- C Frw 787,000
- D Frw 773,500

(2Marks)

8 What is the total extra payment incurrent by Gakondo Ltd?

- A Frw 26,000
- B Frw 24,000
- C Frw 27,000
- D Frw 25,000

(2Marks)

9 Which of the following statements best describes a direct cost?

- A A cost that is incurred by the whole organization in manufacturing.
- B A cost incurred and can be directly traced to the cost unit.
- C A cost which is directly shared by one or more cost center.
- D All costs paid using cash basis.

(2Marks)

Information below is relevant to questions 10, 11, and 12

Seminega is a private consultant and received an offer from Rurembo Ltd to work and train all incoming finance personnel on how to record each transaction and generate a report in the end. He was to be paid Frw 45,000, 15% Withholding tax inclusive per hour and work full time for 9 hours twice in a week and put a clause in a contract that if he works more that contracted hours, he will be paid a third of an hourly rate for excess of

hours. During the week ended November 2020, Seminega worked 14 hours and came four (04) times in that week due to the board meeting which was to be held on 1st December 2020. Seminega's report was key for the planned board meeting.

- 10 What is the total payment to be incurred by Rurembo Ltd in respect of consultancy fees?

- A Frw 1,800,000
- B Frw 1,200,000
- C Frw 2,150,600
- D Frw 1,920,000

(2Marks)

- 11 What is the Net fee to be paid to Seminega by Rurembo Ltd?

- A Frw 1,500,000
- B Frw 1,259,300
- C Frw 1,669,565
- D Frw 958,900

(2Marks)

- 12 What is Withholding tax payable to Rwanda Revenue Authority (RRA)?

- A Frw 292,881
- B Frw 288,000
- C Frw 192,000
- D Frw 250,435

(2Marks)

The following information is for Q13, Q14 and Q15

Ibiramba construction Ltd is a company producing construction bricks and sells them to a wide range of customers. Engineer Semana is a newly appointed managing director and Gahizi is a newly appointed management accountant. The Managing Director wants to know all costs incurred by Ibiramba construction Ltd in order to introduce efficiency in the company so as to ensure that production is maximized with minimization of costs. The following information was extracted from the previous management

S/N	Descriptions	Amount (Frw)
1	Water cost incurred in production of bricks per unit	12
2	Raw materials per unit	20
3	Labour cost to make one brick per unit	13
4	Other expenses which is directly attributable to manufactured bricks	9
5	The company incurred Frw 100,000 every month to pay office rent	1,200,000
6	The selling price per each brick produced	80

13 What is the Prime costs for all bricks produced by Ibiramba Construction Ltd?

- A Frw 310,390
- B Frw 254,830
- C Frw 617,815
- D Frw 312,120

(2Marks)

14 What is the profit per unit made by Ibiramba Construction Ltd?

- A Frw 26
- B Frw 36
- C Frw 16
- D Frw 96

(2Marks)

15 What is the overall net profit of Ibiramba Construction Ltd?

- A Frw 50,008
- B Frw 50,080
- C Frw, 50,280
- D Frw 50,820

(2Marks)

16 Which of the following is not a variable cost?

- A The cost that remains the same regardless of the total unit produced and level of production.
- B The cost which includes an element which is fixed and another which varies with the production level.
- C The cost which varies depending on the number of units produced.
- D The cost per unit remaining the same but increases when the production level increases also.

(2Marks)

17 Fresh diary Co. Ltd is a company dealing in buying milk from different farmers and sells it to different customers in Kigali city. The following information was extracted from Fresh diary Co. Ltd.'s books of accounts:

Periods	Output received in Litters	Total cost (Frw"000")
Week 1	80,000	180,000
Week 2	65,000	155,000
Week 3	90,000	200,000
Week 4	75,000	160,000
Week 5	60,000	140,000

Using High low method, what are the variable and fixed costs for Fresh diary Co. Ltd?

- | | | |
|---|---------------------------------------|------------------------------|
| A | Variable cost per litter is Frw 5,000 | Fixed cost is Frw 22,000,000 |
| B | Variable cost per litter is Frw 2,000 | Fixed cost is Frw 20,200,000 |
| C | Variable cost is Frw 2,000 | Fixed cost is Frw 20,000,000 |
| D | Variable cost is Frw 2,200 | Fixed cost is Frw 19,800,000 |

(2Marks)

18 Which of the following statements best states the responsibility of the manager of a profit centre?

- A Responsibility for Revenues, costs and investment
- B Responsibility for Revenues but not cost
- C Responsibility for Cost but not Revenues
- D Responsibility for Revenue and Costs

(2Marks)

19 Which of the following would be classified as indirect labour cost?

- A Salaries for a committee in a firm of management accountants
- B Salaries for operators in a company manufacturing washing machine
- C Salary to a Plumber in a construction company
- D Salary for a stores assistant in a factory store

(2Marks)

20 Which of the following is categorized as a raw material?

- i. Shoes store in a shoes retail company's warehouse
 - ii. Shoes stored in a shoe manufacturing industry
 - iii. Ingredients for making shoes held in the store of the shoe manufacturing industry
 - iv. Products moulded but not yet complete as shoes
-
- A (i), (ii), (v)
 - B (v), (iii) and (ii)
 - C (iii) and (iv)
 - D (i) and (iii)

(2Marks)

The following information relate to Q21, Q22 and Q23

Intare Ltd is a Cement retail company operating in Muhanga district, it received Cement from various Cement manufacturing industries across East Africa. The company then sells the cement in all districts in the southern province and other regions depending on demand. The following transactions took place in the months of January 2021:

- Opening stock of 500 bags of cement all purchased in local manufacturers at Frw 8,000 each
- On 02/01/2021 Intare Ltd received 600 bags of cement produced in Kenya by Kenya Cement production Ltd at Frw 6,000
- On 05/01/2021 a customer who signed a contract during construction of additional classrooms in Muhanga district took 800 bags of cements from Intare ltd

- On 10/01/2021 Intare Ltd issued 200 bags of cement to another customer in Ruhango district
- On 15/01/2021, Intare Ltd purchased 300 bags of cement produced by Musanze cement manufacturing company at Frw 7,500 each
- On 20/01/2021 an issue of 220 bags of cement was sold by Intare Ltd to different customers.

21 What is the value of the closing stock of Intare Ltd using FIFO (First-In-First-Out) method?

- A Frw 1,080,000
- B Frw 1,355,000
- C Frw 1,350,000
- D Frw 1,530,000

(2Marks)

22 What is the value of closing stock of Intare Ltd using LIFO (Last-In-First-Out) method?

- A Frw 1,400,000
- B Frw 1,390,000
- C Frw 1,240,000
- D Frw 1425,000

(2Marks)

23 Which statement is true or false?

- i. The total value of the issue of Intare Ltd on 20/01/2021 under FIFO is Frw 1,500,000
 - ii. The total value of the issue of Intare Ltd on 20/01/2021 under LIFO is Frw 1,650,000
- A. Statement (i) is True and (ii) is False
 - B. Both statement (i) and (i) are False
 - C. Both (i) and (ii) are True
 - D. Statement (i) is False and (ii) is True

(2Marks)

24 Which of the following document will be completed by goods inward employee on the basis of a physical check, which involves counting the items received and seeing that they are not damaged?

- A. Dispatch note
- B. Purchase requisition form
- C. Purchase order
- D. Goods received note

(2Marks)

25 Which of the following is correct?

Average price per unit using AVCO (Cumulative Weighted Average Pricing) of inventory valuation method is computed as follow:

- A *Average Price per Unit =*

$$\frac{\text{Total value of existing inventory} + \text{Total value of units added to inventory}}{\text{Units of existing inventory} + \text{Units added to inventory}}$$
- B *Average Price per Unit =*

$$\frac{\text{Total value of existing inventory} + \text{Total units added to inventory}}{\text{Units of existing inventory} + \text{Total value of Units added to inventory}}$$
- C *Average Price per Unit =*

$$\frac{\text{Total existing unit of inventory} + \text{Total value of units added to inventory}}{\text{Units of existing inventory} + \text{Units added to inventory}}$$
- D *Average Price per Unit =*

$$\frac{\text{Total value of existing inventory} + \text{Total value of units added to inventory}}{\text{Units of existing inventory}}$$

(2Marks)

Information below relates to questions 26 and 27

Gakire Ltd is a manufacturer of fresh vegetable fruit and fresh Juice for which the clients are happy with. Clients usually buy the company's fruits after work and take them home for feeding their families. Gakire Ltd uses a numerical coding structure based on one profit centre and three cost centres as outlined in the first four columns of the table and each code has a sub-code so that each transaction will be coded as ***/***.

S/N	Profit/Cost centre	Cost code	Sub-classification	Sub-code
1	Sales	900	Sales of fresh Vegetable Fruits	100
2			Sales of fresh Juice	600
3	Production	150	Direct cost	100
4			Indirect cost	600
5	Administration	250	Direct cost	100
6			Indirect cost	600
7	Selling and distribution	350	Direct cost	100
8			Indirect cost	600

26 What is the code for wages of employees involved in producing both products of Gakire Ltd?

- A 250/100
 B 350/100
 C 150/600
 D 150/100

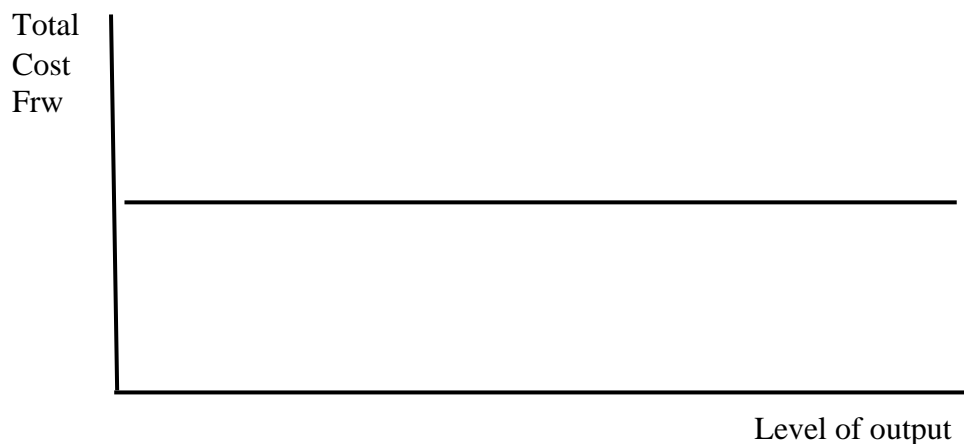
(2Marks)

27 What is the code for sales of all products and related direct production cost incurred by Gakire Ltd?

- A 900/100, 900/150 and 150/600
- B 900/600, 900/100 and 150/600
- C 900/100, 900/600 and 150/100
- D 900/600, 900/150 and 250/100

(2Marks)

28 Given the diagram below; indicate which cost is most likely demonstrated?



- A Total communication cost
- B Total fixed cost
- C Factory rent
- D Material cost

(2Marks)

29 Which of the following statements is true?

- A Revenue Centre is a center which is in charge and accountable for generating revenue only
- B Cost Centre is that centre to which costs are incurred but also look at the revenue generated which then give a profit for the business
- C Profit centre is an area of the business which incurs expenses
- D Revenue centre is in charge of generating revenue and expenditures at the same time

(2Marks)

30 Umugati Ltd is a new brand bread manufacturing factory based in Nyagasambu town established in September 2020 It has been producing a better-quality bread and distributing it in its surrounding areas and other part of Kigali city. Umugati Ltd uses machine which helps in the mixture of floor, water and all other ingredients which gives a bended output used to make bread. Umugati Ltd operates using overhead cost depending of the number of hours. The following was the company's record of November 2020:

Period	Hours operated	Overhead costs (Frw)
November	750	15,000,000

In the Month of December, the production manager wants to operate 720 hours, **what is the estimated overhead cost for the month?**

- A Frw 14,040,000
- B Frw 14,005,000
- C Frw 14,000,000
- D Frw 14,400,000

(2Marks)

The following information relates to Q31, Q32 and Q33

VUP is a government program which aims at helping the poor people of Ubudehe category I and II introduced by the Ministry of Local Government and is implemented in each district. VUP introduced a new payment system where people in ubudehe category I and II are going to be paid based on hours worked as shown in the table below:

S/N	Time	Start and end time	Amount to be paid
1	Standard/normal working	From 7:00 to 12:00	Frw 300 per hour
2	Working overtime	From 05:00 to 13:00	Double of standard payment per hour

Gihundwe sector of Rusizi district has 30 people in UBUDEHE categories I and II, of which 13 start to work from 5.00 am until 1.00 pm in the 1st week, and increases to 18 in the 2nd week of November 2020.

31 Which of the following statements is correct?

- A Thirteen and eleven people in both UBUDEHE category I&II worked overtime in 1st & 2nd week on November 2020
- B A total number of 29 people did not work overtime, hence paid Frw 261,000
- C All people worked overtime except 10
- D Both people worked overtime and were paid Frw 400,000

(2Marks)

32 What is the total overtime hours worked and total overtime paid by Gihundwe sector in both week 1 and week 2?

- A 20 hours and Frw 669,000
- B 25 hours and Frw 656,600
- C 36 hours and Frw 669,600
- D 30 hours and Frw 696,600

(2Marks)

33 What is the total cost incurred by Gihundwe sector for the whole month if other remaining 2 weeks of November 2020 people did not work overtime?

- A Frw 1,794,600
- B Frw 1,749,600
- C Frw 1,769,900
- D Frw 1,769,600

(2Marks)

The following information is for Q34 and Q35

The production manager, during a management meeting held five months ago, introduced a new salary structure where each employee will be entitled to a fixed monthly salary of Frw 400,000. An additional Frw 80 will be paid on each unit produced in a month. This policy was implemented immediately. There are 4 employees in the production department and last month production statistics indicated that:

Employee **A** produced 1,800 units
Employee **B** produced 2,000 units
Employee **C** produced 1,950 units and
Employee **D** produced 1,760 units.

34 Which of the following best describes the above labour costing policy?

- A Semi-fixed variable cost
- B Semi-variable cost
- C Mixed cost
- D Variable cost

(2Marks)

35 What is the total salary for all employee except employee B?

- A Frw 1,640,800
- B Frw 1,460,800
- C Frw 1,680,400
- D Frw 1,860,800

(2Marks)

36 Are the following statements True or False?

- i. Fixed costs per unit increase as output increases
- ii. Direct costs are generally variable

- A Both statements are False
- B Both statements are True
- C Statement (i) is False and statement (ii) is True
- D Statement (i) is True and statement (ii) is False

(2Marks)

37 Employees of AB Ltd are paid only if the production target is achieved. What type of payment method is this?

- A Time rate plus bonus
- B Time rate
- C Differential piecework
- D Piecework

(2Marks)

The following information relate to questions 38 and 39

Akeza saloon is a beauty saloon located in Nyamirambo. It employs 3 different employees who are paid a fixed rate of Frw 900 per hour worked. Normal working hours per week are 40 hours and if the employee works below normal hours in a week he/she is deducted 30% of the normal payment while if the employee works extra hours, they are paid a standard rate plus a bonus of 50%.

Last week employees worked for the following hours as shown in the table below:

S/N	Names	Hours worked
1	Manzi	45
2	Christina	32
3	Josy	40

38 What is the gross wage for Manzi?

- A Frw 60,750
- B Frw 47,250
- C Frw 47,750
- D Frw 47,520

(2Marks)

39 What is the gross wage for Christina?

- A Frw 28,800
- B Frw 23, 670
- C Frw 27,360
- D Frw 23,760

(2Marks)

40 Songambere Ltd is a company dealing in the production of hats used by different people to protect themselves from the sun. The cost of hats is fixed in total for a period.

What is the effect on the cost of a hat per unit with a reduction in activity of 50%?

- A Cost per unit increases by 50%
- B Cost per unit reduces by 50%
- C Cost per unit increases by 100%
- D Cost per unit is unchanged

(2Marks)

41 Are the following statements True or False?

1. In a service organization the human resources department is likely to be classified as a cost centre
2. Distribution costs would not be a cost centre in a manufacturing organization

- A Statement 1 is True and statement 2 is False
- B Both statements are False

- C Statement 1 is False and statement 2 is True
- D Both statement are True

(2Marks)

The following information relates to questions 42, 43, and 44

Isomero Ltd is a public library operating in Kigali and operates 12 hours from 7:00 am to 08:00 pm, its policy is to prepare the actual results and budget so that if the variance is adverse and exceed 5% is considered to be significant or if is favorable and exceed 7% of the variance. The following data was extracted from Isomero Ltd. 's last month report:

Details	Budget (Frw)	Actual (Frw)
Revenue	550,000	595,918
Material	820,530	814,753
Labour	65,441	67,465
Production Overhead	38,340	39,670
Selling and distribution overheads	16,160	17,530

42 Which of the following statements is/are true?

1. The revenue variance is favorable.
2. The materials variance is significant.
3. The revenue variance should be reported to the purchasing manager.

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

(2Marks)

43 What is the selling and distribution overhead variance?

- A Frw 1,730 Adverse
- B Frw 1,370 Favorable
- C Frw 1,370 Adverse
- D Frw 1,375 Adverse

(2Marks)

44 What is percentage variance of labour cost?

- A 3.5% Adverse
- B 3% Favorable
- C 4% Favorable
- D 3% Adverse

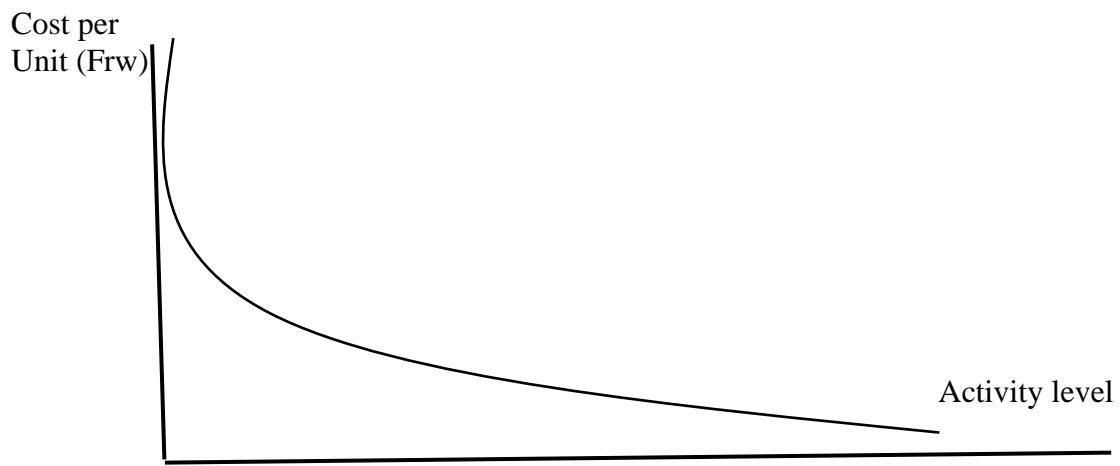
(2Marks)

- 45 A manufacturing company has 20 employees who are paid a basic hourly rate for a standard 45 hours in a week. Each unit produced requires 10 minutes and 10% of units made are faulty. **How many good and faulty units would the company produce in a week?**

A 5,450 good units and 450 faulty units
B 4,860 good units 540 faulty units
C 4,500 good units 540 faulty units
D 5,500 good units 530 faulty units

(2Marks)

- 46 Consider the following graph:



Which description best fits the cost curve?

A Fixed production cost per unit
B Direct material cost per unit
C Variable production cost per unit
D Direct labour cost per unit

(2Marks)

- 47 A firm has a high level of inventory turnover and uses the First in First out (FIFO) pricing system. **Which of the following best describes the closing inventory valuation in a period of rising purchase prices?**

A Much lower than current purchase price
B Based on the price of the first item received
C Close to current purchase prices
D The average of all goods purchased in the period

(2Marks)

- 48 EJOHEZA Ltd has the following actual results for the month of January which are to be compared to the budget

Actual results	Frw'000'
Income	68,000
Expenditure:	
Materials	18,200
Labour	11,800
Overheads	16,300

Budgeted results	Frw'000'
Income	65,000
Expenditure:	
Materials	17,600
Labour	12,200
Overheads	15,500

Select the best answer based on the information provided above considering where indicated A stand for Adverse variance and F stand for Favorable variance

Income variance	Materials variance	Labour variance	Overhead variance
A Frw 3,000,000A	Frw 3,000,000A	Frw 400,000A	Frw 400,000A
B Frw 3,000,000F	Frw 600,000A	Frw 400,000F	Frw 800,000A
C Frw 3,000,000F	Frw 3,000,000F	Frw 600,000F	Frw 800,000F
D Frw 400,000F	Frw 600,000F	Frw 600,000	Frw 400,000F

(2Marks)

- 49 **A particular cost is classified as being semi-variable. If activity increases by 10%, what will happen to the cost per unit?**

- A Increase
- B Reduce but not in proportion to the change in activity
- C Reduce in proportion to the change in activity
- D Remain constant

(2Marks)

- 50 **A firm uses the First in First out (FIFO) system for pricing inventory issue. During a period, product costs were overstated and profits understated. This means that during the period, prices were:**

- A Falling
- B Unchanged
- C Rising slowly
- D Rising rapidly

(2Marks)

End of question paper