
CERTIFIED ACCOUNTING TECHNICIAN
STAGE 1 EXAMINATION
S1.2 PRINCIPLES OF COSTING
MONDAY: 30 NOVEMBER 2020

Instructions

- 1 Time allowed: **2 hours**
- 2 This examination has **one** section only: **Section A**
- 3 Section A has **50 compulsory** multiple choice questions equal to 2 marks each.

Section A

1. Which of the following statements about different forms of business organisation is correct?
- A Partners in a partnership business take a share of the profits rather than a salary as they are not employees
 - B The owners of a public limited company are also the directors of the company
 - C Shareholders of a limited company will be required to provide additional funding for the company if it becomes insolvent
 - D A sole trader is a person working in a business with no employees
 - E None of the above
- (2 marks)**

2. SE Ltd is a new car cleaning business and is deciding what to use as the standard cost for their services.

Which of the following would be relevant in deciding on the standard cost for a car cleaning business?

- A An estimate of the labour to clean an average family car
 - B An estimate of the amount of cleaning products used per car
 - C An estimate of the amount of water used per car
 - D All of the above
 - E None of the above
- (2 marks)**

3. KT Ltd reported the following data over the last quarter about its activity levels and the associated costs:

Level of output (units)	Cost (RWF'000)
10	30
20	60
100	300
125	375

Which of the following is the most accurate description of the type of cost being examined here?

- A Semi-variable
 - B Fixed
 - C Direct
 - D Variable
 - E None of the above
- (2 marks)**

4. Which of the following statements about management accounting is/are correct?
- (i) Management accounting is concerned primarily with the preparation of the financial statements
 - (ii) Management information is taken solely from the financial statements
 - (iii) Management accounting is a separate branch of accounting to financial accounting

- A (i) and (iii) only
- B (i) and (ii) only
- C (iii) only
- D (i), (ii) and (iii)
- E None of the above

(2 marks)

5. WQ Ltd reports all variances above 25%.

An extract from its recent management accounts shows the following:

	Budgeted costs RWFm	Actual costs RWFm
Labour	450	300
Materials	500	600
Overheads	750	950

Which of the variances will be reported?

- A The labour and overheads variances only
- B All of the variances
- C The materials variance only
- D The labour variance only
- E None of the above

(2 marks)

The following information relates to questions 6 and 7

In one week Kevin Kaneza worked for 30 hours in the welding department and 10 hours in the finishing department of Manzi Manufacturing Ltd. The company pay overtime for any hours worked over the basic 35 hours a week.

Kevin's basic wage is RWF250 an hour and he receives overtime at a rate of 1.5 times his basic rate. The overtime was caused by the finishing department asking Kevin to work extra hours that week.

Kevin also received a bonus worth 10 hours of basic rate wages for his work in the welding department that week.

6. What amount should be charged to the finishing department for Kevin's wages for that week?
- A RWF1,875
 - B RWF3,125
 - C RWF10,625
 - D RWF2,500
 - E None of the above

(2 marks)

-
7. What is the amount of Kevin's gross wages in that week?
- A RWF10,625
 - B RWF13,125
 - C RWF14,375
 - D RWF12,500
 - E None of the above

(2 marks)

-
8. Christella plans to rent an additional storage unit next to her existing rented premises to store her expanding stock of picture frames for sale in her business. The additional rent will be RWF10,000 per month. She currently pays RWF25,000 per month for the rent of her existing premises meaning her total rent bill will become RWF35,000 per month.

What type of cost is the rent?

- A Stepped

- B Semi-variable
- C Variable
- D Fixed
- E None of the above

(2 marks)

9. Ishema Kitchens Ltd had the following results for the most recent two accounting periods:

Total costs of production RWF'000	Volume of production Units
15,453	790
20,210	1,500

Which of the following is the most accurate estimate of the amount of fixed costs per period for this company?

- A RWF20,210,000
- B RWF10,050,000
- C RWF10,160,000
- D RWF4,757,000
- E None of the above

(2 marks)

-
10. Which of the following is a characteristic of management accounting?

- A The format of management accounts is dictated by law
- B Management accounts include monetary amounts only
- C Management accounts concentrate on the whole of the business looking at aggregate figures only for costs and revenues
- D Management accounts have an external focus rather than internal
- E None of the above

(2 marks)

-
11. A company has budgeted income for a new product of RWF500,000,000, budgeted direct costs of RWF200,000,000 and budgeted indirect costs of RWF50,000,000.

How much will the budgeted profit be for this product?

- A RWF250,000,000
- B RWF0
- C RWF300,000,000
- D RWF750,000,000
- E None of the above

(2 marks)

-
12. Seraphine runs a small business selling components for making lampshades. She makes the following sales in April: RWF100,000 to customer A which will be paid for at the point of purchase in April, RWF150,000 to customer B which will be paid for by credit card at the point of purchase in April and RWF200,000 to customer C which will be paid for with cash in May.

How much will Seraphine's credit sales be for April?

- A RWF450,000
- B RWF350,000
- C RWF0
- D RWF200,000
- E None of the above

(2 marks)

13. QSR Ltd is a decorating company.

The following information has been compiled regarding the budgeted and actual costs for the company:

	Budgeted cost RWFm	Actual cost RWFm
Materials	590	780
Labour	900	1,040
Overheads	1,000	950

What is the labour variance rounded to nearest whole %?

- A 13%
- B 16%
- C 32%
- D 5%
- E None of the above

(2 marks)

14. Rose Ishimwe has an opening inventory for one particular raw material in the stores of her small business of 1,000 units at RWF900 per unit. In the first week of the month she received in 1,100 units at a cost of RWF700 per unit and then issued 2,000 units the following week.

What is the value of the closing inventory using the First In First Out method?

- A RWF70,000
- B RWF90,000
- C RWF79,500
- D RWF80,000
- E None of the above

(2 marks)

15. X77 Ltd is a bus repair company. Rene is the finance manager for the company and is creating a list of direct costs from the information below:

Wages of the finance staff who process the wages of the mechanics	RWF500,000
Electricity costs for the repair workshop	RWF20,000
Wages of the mechanics	RWF700,000

What would be the total amount Rene would add to his list of direct costs for this company?

- A RWF500,000
- B RWF1,200,000
- C RWF700,000
- D RWF720,000
- E None of the above

(2 marks)

16. Ronald Biscuits Ltd makes a variety of biscuits and cakes which it supplies to local supermarkets.

Costs for Ronald Biscuits Ltd for October were as follows:

Packaging for biscuits	RWF90,000,000
Ingredients for cakes	RWF20,000,000
Heat, light and business rates for factory and offices	RWF45,000,000

Depreciation of factory and office equipment	RWF80,000,000
Wages of production line staff	RWF150,000,000

What is the total overhead cost for the company for October?

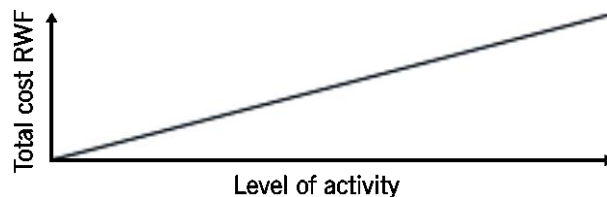
- A RWF385,000,000
 - B RWF125,000,000
 - C RWF275,000,000
 - D RWF45,000,000
 - E None of the above
- (2 marks)**
-

17. Which of the following statements about inventory records is/are correct?

- (i) The receiving department completes a materials requisition form
- (ii) Both an inventory card and stores ledger accounts system can be used at the same time
- (iii) Inventory cards are an alternative name for stores ledger accounts

- A (i) only
 - B (ii) only
 - C (ii) and (iii) only
 - D (i), (ii) and (iii)
 - E None of the above
- (2 marks)**
-

18. Which of the following costs would be most likely to be represented by the graph below?



- A Rent of a factory
 - B Telephone costs
 - C Materials cost
 - D Wages of management
 - E None of the above
- (2 marks)**
-

19. Which of the following statements about the coding of costs and income is correct?

- A Alphabetical coding systems are the most commonly used system
 - B The whole of an invoice will be coded to one code
 - C Labour costs do not need to be coded
 - D Sales income must be coded if the business has an investment centre
 - E None of the above
- (2 marks)**
-

20. Robert's Radios Ltd is a manufacturer with a number of different sites.

The following information is available for costs for items purchased in the last month.

- A new machine purchased for use in the production line costing RWF10,000,000

- A factory purchased to expand a company's production capacity costing RWF950,000,000
- A second-hand car purchased for use by one of the company's employees for site visits costing RWF20,000,000
- An extension to an existing office to accommodate more finance staff costing RWF78,000,000

What is the total amount that will be included as revenue expenditure in the financial records of the company for that month?

- A RWF960m
 - B RWF30m
 - C RWF78m
 - D RWF20m
 - E None of the above
- (2 marks)**

21. The Human Resource department of a company would be classified as what type of centre?

- A Service cost centre
 - B Profit centre
 - C Production cost centre
 - D Revenue centre
 - E None of the above
- (2 marks)**

The following information is relevant to questions 22 and 23

Etienne Niyonsenga runs a furniture business. He currently uses the First In, First Out method of valuing inventory but is considering changing to use the Last In, First Out method.

The business had an opening inventory of a single raw material in the stores of 1,000 units at a cost of RWF500 per unit. During the month 200 units were received at a cost of RWF550 per unit and then 500 units were issued.

22. Which of the following best describes the reason why he might prefer the FIFO method?

- A The items in his inventory are non-perishable
 - B In a period of inflation, it often results in a higher profit making the business look more established
 - C Inventory in hand will be priced at the earliest prices
 - D If any new purchases of inventory are piled on top of existing stocks and then items are picked from the top of the pile
 - E None of the above
- (2 marks)**

23. What is the value of the closing inventory for this raw material if he decides to use the LIFO method?

- A RWF360,000
 - B RWF350,000
 - C RWF385,000
 - D RWF275,000
 - E None of the above
- (2 marks)**

24. Didier Maniraho runs a fishery and is considering the cost of a new employee with the following information:

	RWF
Employer's social security contributions	5,000
Expected overtime	12,000
Wages	30,000
Employer's pension contributions	8,000

How much would the labour costs be for this employee?

- A RWF42,000
- B RWF47,000
- C RWF50,000
- D RWF55,000
- E None of the above

(2 marks)

25. Clement does not have a system for keeping track of inventory received in to his business's stores so new inventory is mixed in with existing inventory.

Which of the following methods would Clement be best to use for his inventory in these circumstances?

- A Last-in-last-out
- B Weighted average pricing
- C First-in-first-out
- D Last-in-first-out
- E None of the above

(2 marks)

26. Which of the following are benefits of having a computerised accounting system for a business?

- (i) All transactions can be recorded
- (ii) Transactions can be categorised according to type such as credit sales, cash purchases and salaries paid
- (iii) A computerised system will always be automatically backed up
- (iv) Different levels of access can be granted to staff

- A (i) and (iii) only
- B (ii) only
- C (i), (ii) and (iv) only
- D (i) and (iv) only
- E None of the above

(2 marks)

27. Garden Dreams Ltd reported the following information for the month of November:

Budgeted units: 40,000

Budgeted costs:

Materials 2,000kg @ RWF400 per kg

Labour 8,000 hours @ RWF350 an hour

Overheads RWF900,000

Actual total costs for the month of November were RWF7,500,000.

What was the total cost variance in November?

- A RWF3,000,000 adverse
- B RWF3,000,000 favourable
- C RWF3,900,000 adverse
- D RWF3,900,000 favourable
- E None of the above

(2 marks)

28. Which of the following statements about remuneration is correct?

- A Payment for piece work is suitable as a normal, recurring way to pay employees
- B A discretionary bonus scheme is one where the same bonus amount is payable to each member of staff
- C In the service sector, most employees' salaries will be treated as indirect costs
- D A time-rate is the rate at which overtime is paid
- E None of the above

(2 marks)

The following information relates to questions 29 and 30.

Olive has produced a report on budgeted versus actual costs for Barton Bricks Ltd for September.

Some of the figures are missing and she has provided an excerpt of the report to show where the missing figures are.

Variances are considered to be significant if they are adverse and exceed 5% or if they are favourable and exceed 7%.

Cost type	Budget RWF'000	Actual RWF'000	Variance RWF'000
Sales and marketing overheads	15,125	17,200	?
Materials	70,000	?	15,000 Favourable
Labour	40,000	46,500	?
Revenue	24,000	12,000	?

29. Which of the following statements is/are true?

- (i) The sales and marketing overhead variance is RWF2,075,000 Adverse
- (ii) The materials actual figure must be greater than RWF70m
- (iii) The revenue variance % is 50%

- A (i) only
- B (i) and (iii) only
- C (ii) only
- D (ii) and (iii) only
- E None of the above

(2 marks)

30. Which of the following statements is/are true?

- (i) The labour variance is RWF6,500,000 adverse
- (ii) The materials variance is insignificant
- (iii) The revenue variance, if significant, should be reported to the sales manager.

- A (i) and (ii)
- B (ii) only

- C (i) and (iii)
- D (iii) only
- E None of the above

(2 marks)

31. Claude has been asked to allocate some recent costs to the correct cost centre. The costs are as follows:

Delivery costs to customers	RWF20,000
Advertising in local newspaper	RWF80,000
Interest paid on loan from bank	RWF12,000

Which of the above costs should be allocated to the selling and distribution cost function?

- A RWF20,000
- B RWF100,000
- C RWF112,000
- D RWF80,000
- E None of the above

(2 marks)

32. Into which of the following classifications would the hire of a specialist machine to be used in a specific job be allocated?

- A Direct expense
- B Indirect expense
- C Direct material
- D Indirect material
- E None of the above

(2 marks)

33. Which of the following most accurately describes the typical graph for a fixed cost per unit of output?

- A Horizontal
- B Increasing diagonal
- C Downward sloping curve
- D Vertical
- E None of the above

(2 marks)

34. Which of the following statements about investment centres is correct?

- A Investment centres are commonly found in manufacturing businesses
- B Investment centres collect revenues only
- C The cost of raising capital is not permitted to be allocated to an investment centre
- D An investment centre is another term for a cost centre
- E None of the above

(2 marks)

35. Uwase Builders Ltd uses the codes 6200-6299 for its fuel costs.

Which of the following codes is correct for fuel costs for the Human Resources manager making site visits to undertake performance reviews?

- A 6220 Sales and Marketing
- B 6250 Labourers
- C 6280 Administrative

- D 6290 Health and safety
E None of the above (2 marks)
-

36. Which of the following statements about recording labour costs is correct?

- A The purchasing department will keep a record of each employee and their basic hourly rate and entitlement to any bonus or overtime pay
B An operation card is also known as a piecework ticket
C Clock cards are used to tell staff what their scheduled hours are for the week
D Gross wages are the basic rate of pay that an employee receives
E None of the above (2 marks)
-

37. Agnes Umulisa runs a shop selling pottery she makes herself in a studio. She had the following items in her inventory at the start of the month:

RWF'000

Raw materials	12
Consumables	5
Part-finished goods	15
Finished goods	20

What is the value of the work in progress (WIP) at the start of the month?

- A RWF52,000
B RWF20,000
C RWF15,000
D RWF27,000
E None of the above (2 marks)
-

38. Thomas has noticed an adverse variance in income in the organisation he works for.

Who would be the most suitable manager for him to report this to?

- A The Human Resources manager
B The production manager
C The purchasing manager
D All of the above
E None of the above (2 marks)
-

39. A company is reviewing its results from one of its profit centres where income was budgeted to be RWF500,000,000 and the actual income was RWF750,000,000.

What is the variance for this profit centre?

- A RWF250,000,000 favourable
B RWF250,000,000 adverse
C None as variances are for costs only
D 33%
E None of the above (2 marks)
-

40. Which of the following statements about the purpose of financial statements is correct?

- A Financial statements aid the recording and classification of the financial transactions of a business

- B Financial statements are required by law for all types of business
- C The primary financial statements of the statement of profit or loss and the statement of financial position are forward looking
- D Financial statements are designed to show a profit or loss for the business on a daily basis.
- E None of the above (2 marks)
-

41. Bella has been asked to create a list of costs to be included as materials for a new product. The information available to her is as follows:

- Staff salaries RWF58,000
- Packaging RWF15,000
- Advertising RWF20,000
- Components RWF19,000

What is the amount that Bella should include as materials costs?

- A RWF92,000
- B RWF54,000
- C RWF15,000
- D RWF34,000
- E None of the above (2 marks)
-

42. Charles runs a business supplying a mobile car repair service to large corporations in his local area.

Which of the following would he be **most** interested in when preparing his management accounts?

- (i) The amount of sales made to each different customer
- (ii) The date on which an invoice to a customer was raised
- (iii) The increase in the level of travel costs to each customer
- (iv) The amount of time spent repairing each car in the past month

- A (ii) and (iv)
- B (i), (iii) and (iv)
- C (i) and (iii)
- D All of the above
- E None of the above (2 marks)
-

43. Green Ltd has released a new product which in the last quarter had actual costs of RWF125,000,000 compared with budgeted costs of RWF100,000,000.

What is the variance for this product?

- A 20%
- B 80%
- C 25%
- D 125%
- E None of the above (2 marks)
-

44. Rotunda Ltd had an actual cost for labour for the month of July of RWF70,000,000. A 5% adverse variance was reported.

What was the budgeted labour cost for July?

- A RWF66,666,667
- B RWF73,500,000
- C RWF66,500,000
- D RWF73,684,211
- E None of the above

(2 marks)

45. Which of the following decisions might a management accountant be involved in?

- (i) Whether to make a product in-house or to outsource its production
- (ii) What selling price to set for a product
- (iii) Which market to sell to eg local, national or international

- A (i) only
- B (ii) only
- C (i) and (iii) only
- D (i), (ii) and (iii)
- E None of the above

(2 marks)

46. A new company started business on 1 July with no inventory. The following receipts and issues were recorded during the month of July.

4 July	Received	2,000 units at RWF3,500 per unit
8 July	Received	1,900 units at RWF2,500 per unit
30 July	Issues	2,400 units

What is the value of the closing inventory on 30 July using the AVCO method?

- A RWF5,250,000
- B RWF3,750,000
- C RWF4,519,231
- D RWF4,500,000
- E None of the above

(2 marks)

47. Which of the following characteristics would a good coding system have?

- (i) Each item has a unique code
- (ii) Each code is alphanumeric
- (iii) The codes are uniform in their structure and length

- A (i) and (ii)
- B (i) and (iii)
- C (ii) and (iii)
- D (iii) only
- E None of the above

(2 marks)

48. Which of the following statements about inventory that is classified as work in progress is correct?

- A An item will only remain in work in progress for a maximum of three months
- B Work in progress may refer to goods in a number of different unfinished states
- C Work in progress is where goods are no more than 50% complete
- D Work in progress is goods available for resale
- E None of the above

(2 marks)

49. Which of the following statements about the reporting of variances is correct?

- A Only significant variances should be reported to senior management
- B Only favourable variances should be reported to senior management
- C Only adverse variances should be reported to senior management
- D All variances should be reported to senior management
- E None of the above

(2 marks)

50. A company has the following items in its statement of financial position:

	RWF'000
Inventory	10,000
Trade receivables	15,000
Trade payables	3,000
Cash	2,500
Non-current assets	56,000

How much capital is there in the business?

- A RWF83,500,000
- B RWF86,500,000
- C RWF56,500,000
- D RWF25,500,000
- E None of the above

(2 marks)

Total (100 marks)
