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**CERTIFIED ACCOUNTING TECHNICIAN**  
**STAGE 1 EXAMINATIONS**  
**S1.2: PRINCIPLES OF COSTING**  
**DATE: MONDAY, 29 NOVEMBER 2021**

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**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 basic objective of cost accounting?**

- A Tax compliance
- B Financial audit
- C Cost ascertainment
- D Profit analysis

**(2Marks)**

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### **QUESTION TWO**

**Which of the following statements is true?**

- A A partnership is a separate legal entity from its owners
- B Money invested in the business by a sole trader is known as drawings
- C Shareholders of a limited company receive a share of profits known as dividends
- D None of the above

**(2Marks)**

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### **QUESTION THREE**

**Which of the following is a capital expenditure?**

- A Purchase of goods for resale
- B Advertising expenses
- C Day to day expenses incurred in conducting the business
- D Acquisition of land

**(2Marks)**

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### **QUESTION FOUR**

**Which of the following gives information to external parties of the organization?**

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

**(2Marks)**

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### **QUESTION FIVE**

**A cost that is easily traceable to a cost of a product is known as:**

- A Variable cost
- B Direct cost
- C Indirect cost
- D Semi variable cost

**(2Marks)**

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**The following information relates to question 6 ,7 and 8.**

Kora Ltd uses the high-low method of estimating costs. Kora Ltd had total costs of FRW5,000,000 at its lowest level of activity of 5,000 units sold. At its highest level of activity, sales equal to 12,000 units at costs of FRW 7,800,000.

#### **QUESTION SIX**

**What is variable cost per unit of Kora Ltd?**

- A FRW1000
- B FRW650
- C FRW400
- D FRW753

**(2Marks)**

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#### **QUESTION SEVEN**

**What is fixed cost of Kora Ltd?**

- A FRW2,800,000
- B FRW 3,000,000
- C FRW 4,550,000
- D FRW 12,800,000

**(2Marks)**

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#### **QUESTION EIGHT**

**Which of the following will be the total cost of Kora Ltd at production level of 8000 units?**

- A FRW 6,200,000
- B FRW10,800,000
- C FRW 9,750,000
- D FRW18,824,000

**(2Marks)**

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#### **QUESTION NINE**

**Which of the following terms is used to denote the response of a cost to the change in business activity?**

- A Cost behavior
- B Cost trend
- C Cost center
- D Cost accumulation

**(2Marks)**

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#### **QUESTION 10**

**A cost that changes in total amount with the change in the level of activity is known as**

- A Fixed cost
- B Mixed cost
- C Conversion cost
- D Variable cost

**(2Marks)**

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### QUESTION 11

According to cost formula  $Y = \text{FRW } 20,000 + \text{FRW } 4X$ , total cost at an activity level of 15,000 units would be?

- A FRW 20,000
- B FRW 60,000
- C FRW 80,000
- D FRW35,000

( 2Marks)

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### QUESTION 12

Which of the following costs is not a product cost?

- A Depreciation on the plant installed in the factory
- B The electricity cost of the office of factory foreman
- C The cost of shipping finished products to customers
- D The cost of fuel used in the factory

(2Marks)

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### QUESTION 13

Which of the following best formula describes Prime cost?

- A Manufacturing overhead cost + Direct labor cost
  - B Direct materials cost + Direct labor cost
  - C Direct materials cost + Manufacturing overhead cost
  - D Direct materials cost + Direct labor cost + Manufacturing overhead cost (2Marks)
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### QUESTION 14

The benefit forgone when one alternative is selected rather than another is known as:

- A sunk cost
- B opportunity cost
- C differential cost
- D Indirect cost

(2Marks)

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### QUESTION 15

Which of the following correctly describes a profit center?

- A A business segment whose manager has control over costs but not over revenue or investment funds
- B A business segment whose manager has control over both cost and revenue but not investment funds
- C A business segment whose manager has control over cost, revenue and investments
- D All of the above

(2Marks)

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### QUESTION 16

**Which of the following correctly describes a Cost Unit?**

- 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 Centers concerned with earning an adequate return on investment
- 

**(2Marks)**

### QUESTION 17

**Which of the following is the correct valuation base for finished goods stock for balance sheet valuation purpose?**

- A Prime cost per unit
  - B Production cost per unit
  - C Production margin per unit
  - D Total cost per unit
- 

**(2Marks)**

### QUESTION 18

**If the raw materials prices are suffering from inflation, which of the following methods of valuing stocks will give the lowest gross profit?**

- A LIFO
  - B FIFO
  - C Replacement Cost
  - D Simple Average
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**(2Marks)**

### QUESTION 19

**Which factor that cause change in cost of activity?**

- A Activity cost
  - B Driver rates
  - C Cost pool
  - D Cost drivers
- 

**(2Marks)**

### QUESTION 20

During September 2020 MUKOBWAJANA Ltd had sales of FRW 148,000, which made a gross profit of FRW 40,000. Purchases amounted to FRW 100,000 and opening inventory was FRW34,000. **Which of the following would be the value of closing inventory?**

- A FRW 74,000
  - B FRW26,000
  - C FRW 48,000
  - D FRW 114,000
- 

**(2Marks)**

**The following information relates to the question 21,22 and 23**

MUTIMA Ltd operate a milk zone business which supplies milk to five schools located in Nyabihu District the accountant of MUTIMA Ltd approached you as CAT candidate with the following data for advice:

Normal usage 500 liters per week

Minimum usage 250 liters per week

Maximum usage 750 liters per week

Reorder quantity 3000

Reorder period 4- 6 week

### **QUESTION 21**

**Which of the following will be Reorder level in liters for MUTIMA Ltd?**

A 4500 liters

B 3000 liters

C 1500 liters

D 1000 liters

**(2Marks)**

### **QUESTION 22**

**Which of the following will be Minimum level in liters for MUTIMA Ltd?**

A 1500 liters

B 2000 liters

C 2500 liters

D 3000 liters

**(2Marks)**

### **QUESTION 23**

**Which of the following will be Maximum level in liters for MUTIMA Ltd?**

A 5000 liters

B 3500 liters

C 6500 liters

D 6000 liters

**(2Marks)**

### **QUESTION 24**

MUKO Ltd makes Ubuntu product. Production of 2,500 units incurs the following costs: Materials 3,250 kg at FRW 600 per kg Labour 4,000 hours at FRW 500 per hour Overheads FRW 700,000 **What is the full unit cost at a production level of 2,500 units?**

A FRW1,860

B FRW1580

C FRW 780

D FRW800

**(2Marks)**

**The following information relates to question 25 ,26 and 27**

Iwacu Ltd is a company based in Rulindo districts which deals with the supplying rice to different institutions during the last semester ending 2020 the following data were recorded about their stock movement

Balance as at 1<sup>st</sup> June 2020 was 2000kgs of rice at FRW 450 each  
 On 25 June Iwacu Ltd purchased additional 1500kgs at FRW 400 each  
 On 5<sup>th</sup> July sold to Ngoma TSS 1800 at FRW 460 each  
 On 1<sup>st</sup> August 2020 purchased 700kgs at FRW 380 each  
 On 25 September 2020 sold to Gakundi TSS 1200 kgs at FRW 440 each  
 On 20<sup>th</sup> November 2020 purchased 500 at FRW 370 each  
 On 25 December 2020 sold 600kgs at 430 each

### QUESTION 25

**What was the value of closing stock for the last semester using LIFO valuation method?**

- A FRW 550,000
- B FRW 900,000
- C FRW495,000
- D FRW 413,000

(2Marks)

### QUESTION 26

**What was the value of cost of goods sold?**

- A FRW1,456,000
- B FRW1,401,000
- C FRW1,051,000
- D FRW1,538,000

(2Marks)

### QUESTION 27

**What was the gross profit for the last semester using LIFO valuation method?**

- A FRW213,000
- B FRW158,000
- C FRW563000
- D FRW 76,000

(2Marks)

### QUESTION 28

**Which of the following is not the Cause of High Labour Turnover?**

- A Low wages, low bonus and absence of monetary incentives
- B Hard nature of job, inadequate safeguards against accidents
- C ill-treatment and harassment by supervisors.
- D Prioritizing employee happiness

(2Marks)

**The following information relates to questions 29 and 30**

MUKWIYE Ltd is a construction company that was established in 2020, in January 2021 they employed two supervisors to help them in their daily activities and the agreed that they will be Paid salary on hourly basis as indicated in the table below for details for the month of February 2021

Employee ID	NAMES	Hours worked	Rate of pay per hour (FRW)	Advance paid (FRW)
5012	MUKIZA	180	1000	50,000
5013	MUKAMANA	200	1400	70,000

Additional information:

- i) Normal working hours per month are 180, overtime payable for extra hours at a rate of 50 % above normal pay rate;
- ii) PAYE to be deducted at a rate of 10 %;

**QUESTION 29**

**Which of the following was the net salary received MUKIZA?**

- A FRW 112,000
- B FRW180,000
- C FRW130,000
- D FRW162,000

**(2Marks)**

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**QUESTION 30**

**Which of the following was the net salary received MUKAMANA?**

- A FRW182,000
- B FRW 264,600
- C FRW194,600
- D FRW 294,000

**(2Marks)**

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**The following information relates to questions 31 ,32 and 33**

Rukundo, Mutima and Manzi are the employees of Mulindwa manufacturing Ltd which manufactures adobe bricks and are paid according to method of differential piece rate to motivate them to work hard. The Rates per brick produced are given as follows:

FRW 50 per brick up to 1000 bricks

FRW 60 per brick for 1001 to 1500 bricks

FRW 70 per brick produced in excess of 1500 bricks

During the month of April 2021, the quantities produced are:

Rukundo: 900 bricks; Mutima: 1200 bricks; Manzi: 1700 bricks

**QUESTION 31**

**Which of the following was the amount paid to RUKUNDO?**

- A FRW45,000
- B FRW 50,000
- C FRW 54,000
- D FRW 63,000

**(2Marks)**

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**QUESTION 32**

**Which of the following was the amount paid to Mutima?**

- A FRW60,000
- B FRW72,000
- C FRW 50,000
- D FRW 62,000

**(2Marks)**

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### QUESTION 33

**Which of the following was the amount paid to Manzi?**

- A FRW85,000
- B FRW102,000
- C FRW94,000
- D FRW119,000

**(2Marks)**

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**The following information relates to question 34,35 and 36**

Mucyo Ltd operates a piecework system of remuneration. Three minutes is a standard time allowed per unit of Output. Piecework is paid at the rate of FRW 5000 per standard hour for an eight-hour working day, Mulindwa produced 200 units in eight hours on a particular day.

### QUESTION 34

**Which of the following indicates total number of hours worked by Mulindwa?**

- A 8 hours
- B 10 hours
- C 24 hours
- D 2 hours

**(2Marks)**

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### QUESTION 35

**Which of the following indicates basic pay of Mulindwa?**

- A FRW 40,000
- B FRW 50,000
- C FRW 120,000
- D FRW 90,000

**(2 Marks)**

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### QUESTION 36

**Which of the following indicates gross pay of Mulindwa for that particular day using HALSEY bonus scheme?**

- A FRW45,000
- B FRW 40,000
- C FRW 55,000
- D FRW 95,000

**(2Marks)**

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### QUESTION 37

**An activity level that the company expects to operate at is called as:**

- A Margin of Safety
- B Relevant range
- C Contribution margin
- D Target net income

**(2Marks)**

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### QUESTION 38

**Allotment of whole item of cost to a cost center or cost unit is known as:**

- A Cost Apportionment
- B Cost Allocation
- C Cost Absorption
- D Machine hour rate

(2Marks)

### QUESTION 39

**Which of the following best describes Overhead?**

- A All Indirect costs
- B Direct Cost
- C Only Factory indirect costs
- D Only indirect expenses

(2Marks)

### QUESTION 40

**Which of the following is not a fixed cost?**

- A Monthly rent of FRW10,000,000 contractually specified in a one-year lease
- B An insurance premium of FRW5,000,000 per year, paid last month
- C An attorney's retainer of FRW5,000,000 per year
- D A worker's wage of FRW1500 per hour

(2Marks)

### QUESTION 41

**Regardless of how long it takes to produce and sell inventory, inventory is always considered to be a?**

- A Current asset
- B Current liability
- C Long term asset
- D Long term liability

(2Marks)

**The following information relates to question 42, 43 and 44**

TTT Ltd manufactures a single product known as AGACU Juice, the Budgeted sales of the products for the month of September 2021 is as follows:

Product	Quantity	Price
AGACU Juice	1000 bottles	FRW 200

Stocks of finished products of AGACU Juice were as under:

Product	Opening stock	Closing stock
AGACU Juice	400 bottles	600 bottles

Quantities of mangoes needed as raw material to produce 1 bottle of AGACU Juice is 0.5 Kg.

#### QUESTION 42

**Which of the following will be total sales value for September 2021?**

- A FRW 200,000
- B FRW80,000
- C FRW 120,000
- D FRW 100,000

**(2Marks)**

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#### QUESTION 43

**Which of the following will be the production required to meet the estimated sales budget of September 2021 for AGACU Juice?**

- A 800 bottles
- B 1000 bottles
- C 1200 bottles
- D 1400 bottles

**(2Marks)**

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#### QUESTION 44

**Which of the following will be the quantity of Mangoes in kgs needed to meet the production required of AGACU Juice?**

- A 400kgs
- B 500kgs
- C 600kgs
- D 700kgs

**(2Marks)**

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#### QUESTION 45

**Which of the following best describes a fixed budget?**

- A A budget that ignores inflation
- B A budget that is set for a specified level of activity
- C A budget that itemizes the fixed costs of a department
- D A budget that never changes

**(2Marks)**

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#### QUESTION 46

THEO INVESTMENT Ltd has estimated to sales of 2,600 cakes. There are 1,400 cakes in stock while the closing stock is planned to be 1,800 cakes to meet urgent demands.

**Which of the following will be the production needed to satisfy sales?**

- A 2,200 Cakes
- B 2,600 Cakes
- C 3,000 Cakes
- D 1,200 Cakes

**(2Marks)**

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### **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)**

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**The following information relates to question 48,49and 50**

Turikumwe foods Ltd has set that material standard for one unit of product TELLA is 3 kgs at FRW 225 per kg but due to the effect of Covid 19 pandemic government of Rwanda has given subsidy and 16 500 kgs were used at a cost of FRW 2 640 000 and 9 000 TELLA were produced.

### **QUESTION 48**

**Which of the following was the material price variance?**

- A FRW1 072 500 Favorable
- B FRW615,000 Favorable
- C FRW3,435,000 Favorable
- D FRW1 072 500 Adverse

**(2Marks)**

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### **QUESTION 49**

**Which of the following was the material usage variance?**

- A FRW1,687,500(F)
- B FRW2 362 500 (F)
- C FRW2 362 500 (A)
- D FRW 2 640 000 (F)

**(2Marks)**

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### **QUESTION 50**

**Which of the following was the material cost variance?**

- A FRW2,302,500(F)
- B FRW3,435,000(F)
- C FRW4,665,000(F)
- D FRW3,435,000(A)

**(2Marks)**

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**End of Question Paper**