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**CERTIFIED ACCOUNTING TECHNICIAN  
STAGE 3 EXAMINATIONS**

**S3.2: MANAGEMENT ACCOUNTING**

**DATE: THURSDAY 29, MAY 2025**

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**INSTRUCTIONS:**

1. Time allowed: **3 hours.**
2. This examination has **three sections: A, B and C.**
3. Section A has **10 multiple choice questions** equal to 2 marks each.
4. Section B has **2 questions** equal to 10 marks each.
5. Section C has **3 questions** equal to 20 marks each.
6. All questions are compulsory.
7. The question paper should not be taken out of the examination room.

## SECTION A

The following information relates to Questions one, two and three

Rebero Ltd produces two products, Chairs and Tables. Both products use the same raw materials (timber) and the same skilled labour which are limited to 2,000 kgs per month for materials and 5,000 hours for skilled labour.

Individual product details are as follows:

Details	Chairs	Tables
Labour hours per unit	12	14
Materials kgs per unit	6	8
Maximum demand in units	15	200

### QUESTION ONE

How many kgs of materials are needed to produce 150 chairs and 200 tables?

- A 4,600 kgs
- B 2,500 kgs
- C 5,000 kgs
- D 2,000 kgs

(2 Marks)

### QUESTION TWO

How many skilled labour hours are needed to make chairs and tables?

- A 4,600 hours
- B 2,500 hours
- C 5,000 hours
- D 2,000 hours

(2 Marks)

### QUESTION THREE

Which of the two resources, raw materials and skilled labour are a limiting factor and by how much?

- A Raw material is a limiting factor by 2,000 kgs
- B Skilled labour is a limiting factor by 400 hours
- C Raw material is a limiting factor by 500 kgs
- D Skilled labour is a limiting factor by 4,600 hours

(2 Marks)

#### QUESTION FOUR

What is an optimal production plan?

- A The mix of production that maximises costs
- B The mix of production that maximises total contribution
- C The mix of production that minimises costs
- D The maximum number of units produced

(2 Marks)

#### QUESTION FIVE

What is a standard cost?

- A Cost based on currently attainable operating conditions
- B Cost which is kept unchanged to show trend in costs
- C A planned unit cost of a product or a service
- D Quantitative plan of action prepared in advance of the period to which it relates

(2 Marks)

#### QUESTION SIX

A motor vehicle manufacturer wants to calculate the target cost for a new car, the price of which will be set at FRW 18,250,000. The company requires a profit mark-up of 25% on cost.

What is the target cost?

- A FRW 14,600,000
- B FRW 3,650,000
- C FRW 4,562,500
- D FRW 13,687,500

(2 Marks)

#### QUESTION SEVEN

What if analysis is a technique that assesses the impact of potential changes before they actually occur.

Which of the following is not conducted in a what if analysis process?

- A Forecast performance indicators based on the assumptions you are given.
- B Re-calculate performance indicators to take account of changes to a business, for example, the purchase of new machinery.
- C Forecast performance indicators based on the assumptions you are not given.
- D Show what the results of the business would have looked like if certain performance targets (benchmarks) had been achieved.

(2 Marks)

## QUESTION EIGHT

Isimbi Ltd budgeted to produce 20,000 units of its brand product Alpha in the budgeted time of 100,000 hours. During the period, the company produced 25,000 units in a total time of 137,500 hours.

**What is the efficiency ratio and production volume ratio for Isimbi Ltd for the period?**

	<b>Efficiency Ratio</b>	<b>Production Volume Ratio</b>
A	138%	91%
B	91%	125%
C	125%	91%
D	91%	138%

**(2 Marks)**

## QUESTION NINE

Quality can be described as the degree of excellence of a product or service or how well a product or service serves its purpose. Quality is normally judged by a customer. Performance indicators of quality may be either financial or nonfinancial indicators.

**Which one of the following is a financial indicator of quality?**

- A Number of goods returned
- B Number of Warranty claims as a percentage of total units sold
- C Number of customer complaints as a percentage of the total number of sales orders
- D Cost of reworking defective goods as a percentage of total production cost

**(2 Marks)**

## QUESTION 10

Amahoro Ltd is an interior design company that deals in painting and decoration of houses. The following information is available for the two periods, January and February:

<b>Details</b>	<b>January</b>	<b>February</b>
Square metres decorated	40,000	56,000
Total cost	17,600,000	22,400,000

**What is the total cost in the period of March if 45,000 square metres are decorated using high low method?**

- A FRW 19,100,000
- B FRW 5,600,000
- C FRW 13,500,000
- D FRW 19,800,000

**(2 Marks)**

## SECTION B

### QUESTION 11

The budget is a quantitative statement for a defined period of time, which may include planned revenues, expenses, assets, liabilities and cash flows.

However, as an accountant technician, you are requested to provide advice to a newly established company LMS Ltd, senior management on the preparation of their budget for the coming fiscal year.

**Required:**

a) Discuss the budget preparation processes to the LMS Ltd? (6 Marks)

b) Enumerate FOUR objectives of a budgetary planning and control system for LMS Ltd? (4 Marks)

**(Total 10 Marks)**

### QUESTION 12

GN-Z Ltd is a manufacturing company producing food and beverage products.

a) Below are cash budget forecast information provided:

Item	January 20x5	February 20x5
Sales	150 million	80 million
Factory depreciation	5 million	5 million
Gross profit at per sales percentage	25%	25%
Closing trade payable as a percentage of cost of sales	40%	40%

Assume opening and closing inventories were nil.

**Required:**

What is the amount GN-Z Ltd paid for suppliers as per February 20x5? (5 Marks)

b) The budgeted production overhead for GN-Z ltd is FRW 21,000,000 at an activity level of 3,500 units and FRW 22, 500,000 at an activity level of 4,500 units. If the actual activity level of GN-Z is 4,000 units.

**Required:**

What is the flexed budget figure for production overhead for GN-Z? (5 marks)

**(Total 10 Marks)**

## SECTION C

### QUESTION 13

Muvumba Ltd is a company that makes a product, the splash. At the beginning of period 1, there were no opening inventories. The following information relates to the variable cost per unit and the fixed cost per period.

Variable cost per unit	FRW
Direct materials	1,200
Direct labour	2,400
Variable production overheads	800
Fixed production overheads	1,600
Variable selling overheads	600
	<b>6,600</b>

Fixed cost per period	FRW
Fixed production overheads	40,000,000
Fixed selling overheads	36,000,000
	<b>76,000,000</b>

#### Additional information:

- The selling price per unit was FRW 8,000
- The company budgeted to produce and sell 25,000 units per period
- Actual production and sales for period 1 and 2 are as presented in the table below:

	Production units	Sales units
Period 1	25,000	20,000
Period 2	25,000	27,500

- There is no opening stock or work in progress in period 1

#### Required:

- Prepare Marginal Costing profit statement for period 1 and 2 (10 Marks)
  - Prepare Absorption Costing profit statement for period 1 and 2 (10 Marks)
- (Total: 20 Marks)**

**QUESTION 14**

a) Belyse Enterprises Ltd whose financial year ended 31<sup>st</sup> December 2022 deals in printing text books that are mainly used by primary and secondary schools in Rwanda. Their budgeted and actual information for the year ended 31<sup>st</sup> December, 2022 is provided below:

Budget:

Production/ sales units		200,000
	Frw "000"	Frw "000"
Sales revenues		3,000,000
Variable costs:		
Direct materials (Frw 300 per kg)	900,000	
Direct labour (Frw 5,000 per hour)	600,000	
Variable overheads Frw 800 per labour hour)	800,000	2,300,000
Contribution		700,000
Fixed overheads		200,000
Profit		500,000

Actual results:

Production/ sales units		195,000
	Frw "000"	Frw "000"
Sales revenues		3,250,000
Variable costs:		
Direct materials (Frw 320 per kg)	944,000	
Direct labour (Frw 4,500 per hour)	562,500	
Variable overheads Frw 830 per labour hour)	788,500	2,295,000
Contribution		955,000
Fixed overheads		250,000
Profit		705,000

**Required:**

**Calculate the following variances:**

- i) Sales price variance (2 Marks)
- ii) Sales volume variance under marginal costing (2 Marks)
- iii) Material price variance (2 Marks)
- iv) Material usage variance (2 Marks)
- v) Labor rate variance (2 Marks)
- vi) Labor efficiency variance (2 Marks)
- vii) Variable overhead expenditure variance (2 Marks)
- viii) Variable overhead efficiency variance (2 Marks)

**b) Explain the following types of standards**

- i) Ideal standards (1 Mark)
- ii) Attainable standards (1 Mark)
- iii) Current standards (1 Mark)
- iv) Basic standards (1 Mark)

**(Total: 20 Marks)**

### QUESTION 15

a) John Ltd is a manufacturing company processing XX product through two Departments and below is information given:

	Department A	Department B
Output in units	95,000	75,000
Budgeted output	80,000	100,000
Hours worked	130,000	110,000

The standard time for each unit of production is 1.5 hours.

**Required:**

**Calculate the following performance indicators for each of the two Departments:**

- Actual hours per unit** (2 Marks)
- Efficiency ratio** (2 Marks)
- Capacity ratio** (2 Marks)
- Activity ratio** (2 Marks)
- Comment on the above ii and iii calculations** (2 Marks)

b) The AGM Productions has in the past produced just one fairly successful product ABC using the Option 2 of production. Recently, an Option 1 of production for this product has been launched. Development work continues to add a related product to the product range. Given below are some details of the activities during the month of March.

Sales revenue	Option 1	FRW 550 million
	Option 2	FRW 800 million
Cost of units produced	Option 1	FRW 80 million
	Option 2	FRW 150 million
Units produced	Option 1	5,000 Units
	Option 2	25,000 Units
Hours worked	Option 1	1,250 Hours
	Option 2	5,000 Hours
Development costs		FRW 81 million

Given that the AGM productions balanced scorecard can be calculated on the following suggested balanced scorecard: Gross profit, Productivity, Unit cost, Percentage of sales represented by Option 1, and Development costs as % of sales.

**Required:**

**Calculate performance indicators that could be used for each of the four perspectives in the balanced scorecard to the Option 1 of production?** (5 Marks)

c) Internal controls are procedures that address the risk that the aims and objectives of the company will not be met. However, any internal control system can only provide the directors with reasonable assurance that their objectives are reached, because of inherent limitations.

**Required:**

**What is the purpose of having internal controls and give limitations of internal controls?**

(5 Marks)

**(Total: 20 Marks)**