STAGE 1 EXAMINATIONS

S1.2 PRINCIPLES OF COSTING

DATE: MONDAY 24, APRIL 2023

023 IcparApril.**S1.2** IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023**Page 1/of 13**

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QUESTION NUMBER	CORRECT CHOICE	MARKS AWARDED	QUESTION NUMBER	CORRECT CHOICE	MARKS AWARDED
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023 IcparApril **S1.2** IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril202. **Page 2 of 13**023 IcparApril2

Model Answers

QUESTION ONE

Correct answer is **D**

It is not possible to increase the membership of a partnership from 20 partners to any other number since this will be against the law of formation of a partnership.

The rest of the features in A, B and C are correct about the partnership business

QUESTION TWO

Correct answer is D

Business transactions are recorded on an accrual basis, whether cash has been received/paid or otherwise. The transaction is recognized and recorded immediately when transacted. The point in A, B, C are correct regarding business transactions

QUESTION THREE

Correct answer is A

As per its mandate of what it was established to pursue, they are consumer goods manufacturers since their final product is sold directly to consumers without going through any other further process. The other descriptions do not perfectly fit into their mandate.

QUESTION FOUR

Correct answer is C

Personnel management system is not an accounting but rather an administrative or management information system. The rest are accounting systems and are used to record business transactions.

OUESTION FIVE

Correct answer is C

The statement of financial position/balance sheet does not show the financial performance.

The financial performance is shown using statement of profit or loss account.

The rest points describe correct points about statement of financial position

QUESTION SIX

Correct answer is A

Drawings is not part of items expensed to Profit or loss. It is an item of balance that is used to reduce capital of a business. The rest are items of expenditure expensed to profit or loss account.

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QUESTION SEVEN

Correct answer is C

Capital expenditure comprises of items charged directly to the statement of financial position. They are not recurrent/revenue expenses. Such expense result into improvement of existing asset. Painting of the business premises is not capital expenditure; the rest are capital expenditures.

QUESTION EIGHT

Correct answer is D

The financial accounting is not for internal use only, it is crucial to external stakeholders to receive financial accounts to make decisions. Therefore, it is not intended for internal use only. Other points are correct regarding financial accounting

OUESTION NINE

Correct answer is C

It is not the management accounting that shows the financial position of the business, instead it is the financial accounting through the statement of financial position (balance sheet) that shows the financial position of an entity. Option D is not correct while others are correct.

OUESTION 10

Correct answer is D

Whereas the rest (third parties) and other stakeholders use financial accounting information to make economic decisions, the management uses management accounting information to make managerial decisions.

QUESTION 11

The government requires accounting information of a business for?

Correct answer is A

The government agencies use the accounting information to check for compliance as well as to establish the taxable capacity of a business entity. The rest of points shown could not interest government to view accounting information of a business

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OUESTION 12

Correct answer is D

Revenue Authority can take action as listed in A, B and C but for D it is not in their mandate. The issue of staff development and management is a reserve or prerogative of company management. It will amount to overstepping on their mandate if they did so.

QUESTION 13

Correct answer is D

Research and development cost is not a cost classification as such but rather an example of administrative cost, the rest are classifications of cost according to function

QUESTION 14

Correct answer is **B**

 Material cost (60%×50,000,000)
 FRW 30,000,000

 Labor cost (75%×40,000,000)
 FRW 30,000,000

 Production overheads (60%×25,000,000)
 FRW 15,000,000

 FRW 75,000,000

A is the summation of total costs for the year as provided for in the data

C is the summation of material cost and labor cost

D is the summation of labor costs and production cost

OUESTION 15

Correct answer is A

Material cost FRW 50,000,000
Labor cost FRW 40,000,000
Production overheads
Total production cost FRW 115,000,000

B consider only material and labor cost and ignore production overhead

C considered production overheads and material costs and ignore labor costs

D Ignored material costs

OUESTION 16

The correct answer is A

 Material cost
 FRW 50,000,000

 Labor cost
 FRW 40,000,000

 Production overheads
 FRW 25,000,000

 Total production cost
 FRW 115,000,000

 Profit charged
 FRW 35,000,000

 Selling price
 FRW 150,000,000

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OUESTION 17

Correct answer is A

 Total cost FRW
 5,000,000

 Fixed cost FRW
 (1,000,000)

 Variable cost FRW
 4,000,000

Variables cost per unit = 4,000,000

20,000

Variable cost per unit = FRW 200

C is the total cost per unit including fixed costs

OUESTION 18

Correct answer is **D**

The rest are mixed costs except the salary which is not a mixed cost since it is fixed.

OUESTION 19

Correct answer is A

The total earning was 1,000,000 Variable pay (600×1000) (600,000)Guaranteed minimum wage 400,000

C represent the salary computed based on unit achieved, it does not mean minimum wage

QUESTION 20

Correct answer is **D**

Depreciation is a fixed cost and the rest are variable costs

QUESTION 21

Correct answer is C

Variable cost per unit 2,000

Total units produced 10,000

Total variable cost of production = variable cost per unit × units produced

Total variable cost of production = $2,000 \times 10,000$

Total variable cost of production = FRW 20,000,000

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OUESTION 22

Correct answer is A

New variable cost of production $12,000 \times 2000 = 24,000,000$ Previous variable cost of production (20,000,000) Incremental variable costs 4,000,000

OUESTION 23

Correct answer is C

Fixed cost will remain unchanged irrespective of the production level.

OUESTION 24

Correct answer is A

Sales	$(2500 \times 12,000)$	(0) = 30,000,000
Variable costs	$(2000 \times 12,000)$	=(24,000,0000)
Fixed costs		Icpar (1,000,000)
Net profit pril20		IcparA 5,000,000

OUESTION 25

Correct answer is D

Direct material is converted into finished

The rest are convertible into finished goods, it is only bread packing materials which are not direct materials. Packages costs is direct costs but not direct materials and professional and professional direct materials.

OUESTION 26

Correct answer is **D**

Goods once sold they are not part of the business inventory

The rest are countable business inventory.

QUESTION 27

Correct answer is A

- iii) materials convertible to finished goods is not an indirect material since indirect materials cannot be converted to finished goods. arApril2023 IcparApril2023 IcparAp
- i) packaging is direct cost

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023 IcparApril2(**QUESTION 28**23 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2

023 IcparApril2 Correct answer is AcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023

Production work that was started during the period but has not attained 100% degree of completion

The rest describe another type of inventory but not work in progress.

QUESTION 29/23 IcparApril2023 IcparA

Correct answer is C IcparApril2023 I

100/180_{ur April}2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023 IeparApril2023

A is the code for sale of water 2023 IcparApril2023 IcparApril2023

B is the code for sale of juice 12023 IcparApril2023 IcparApril202

D doesn't exist in the coding system of inyange ltd CparApril2023 IcparApril2023 IcparApril2023

QUESTION 3023 IcparApril2023 IcparAp

Correct answer is C

200/270 is the code for variable production overhead

A: is the direct material production cost

B: direct labor production costs 023 IcparApril2023 IcparApril2023

023 IcparApril D: Doesn't mean anything in the coding system of Inyange 1/2023 IcparApril2023 Ic

QUESTION 31023 IcparApril2023 IcparA

Correct answer is A IcparApril2023 I

Dates	Receipt	IcparAp	ril2023 Icpai	issues	IcparAp.	balance ³ IcparApril2		
Marc h	Quantit y	Price	Amount and in 12023 Icpan	quantit y	Price (cparAp	amount	quantit y	amount leparApril
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1 st	rapruz023 rapruz023	Tepar Ap	ні2023 Ісраі ri12023 Ісраі	April2023 April2023	I c narAn	ri 1 2023 Icpa ri 1 2023 Icpa	500	6,000,000
5 th Icpo	500 ₁₂₀₂₃	10,00	5,000,000	April2023 April2023	l c parAp lcparAp	ri l 2023 Icpa ril2023 Icpa	1,000 023	11,000,00 0 par April
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The closing inventory is 500 units valued @ FRW 5,000,000.

QUESTION 32

023 IcparApril The correct answer is CApril 2023 IcparApril 20

Dates	Receipt	IcparApr	il2023 Icpai	Issues	cparApri	Balance IcparApril		
Marc h	Quantity	Price I parApr	Amoun	quantity	Price parApri	amou nt	quantity	amount 1 parApril 2
	FRW	FRW	FRW	FRW	FRW	FRW	FRW	FRW
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023 IcparApril The closing inventory is 500 units valued @ FRW 5,800,000 23 IcparApril2023 IcparApril2023 IcparApril2

023 IcparApril **S1.2** IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril202. **Page 9 of 13**023 IcparApril2

023 IcparApril2 QUESTION 33

Correct answer is B

023 Icpa	Purchase	IcparAp	rrii2023 Icpai	Issue	IcparAp	Balan	Balance	
Marc h	Quantit y	Price	Amount	quantit y	Price	amount	quantit y	amount
1 st	arApril2023	TeparAt	ril2023 Icpa	April2023	I c parAp	rit2023 Icpa	500	6,000,000
(5 th Icpo 023 Icpo	500/12023 rApril2023	10,00	5,000,000	April2023 April2023	I c parAp IcparAp	ri l 2023 Icpa ril2023 Icpa	1,000 023 vApril2023	11,000,00 0 parApril
10 th	arApril2023 arApril2023	I <u>c</u> parAp IcparAp	ri <u>l</u> 2023 Icpai ril2023 Icpai	600 ²⁰²³ April2023	11,00 0	6,600,00	400 2023 rApril 2023	4,400,000 IcparApril
15 th	arApril2023 arApril2023	IcparAp IcparAp	ril2023 Icpai ril2023 Icpai	200	11,00 0	2,200,00	200	2,200,000
20 th	1,000 ₀₂₃	12,00	12,000,00	Āpril2023 April2023	lcparAp IcparAp	riī2023 Icpa ril2023 Icpa	1,200	14,200,00
25 th cpc	arApril2023 arApril2023	I c parAp IcparAp	r il 2023 Icpai ril2023 Icpai	800 2023 April2023	11,83	9,466,66	400 12023 rApril2023	4,733,333 IcparApril2
30 th	r600 12023 rApril2023	10,00	6,000,000	April2023 April2023	l <u>c</u> parAp IcparAp	ri <u>l</u> 2023 Icpa ril2023 Icpa	1,000 VApril202	10,733,33 3
31 st	arApril2023 arApril2023 arApril2023	IcparAp IcparAp	ril2023 Icpai vril2023 Icpai	500 April2023	10,73	5,366,50 0	500	5,366,833

O23 IcparApril The closing stock value is 500 units values @ 5,336,833 April 2023 IcparApril 2

QUESTION 34

Correct answer is A

The inventory is always valued at the very cost at which it was acquired.

QUESTION 35

Correct answer is **D**

The petty cash voucher is not related to inventory management but the rest are

QUESTION 36

How much commission did Britam Insurance company pay Mr John for the month of March 2022?

023 IcparApril Correct answer is A IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023 IcparApril2023

Commission = 30% (500,000 × 10) = FRW 1,500,000 April 2023 Legar April

B is the total pay including monthly salary vil2023 IcparApril2023 IcparApril2023

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QUESTION 37

Correct answer is A

Total earnings = basic pay + commission paid

= 1.000,000 + 1.500,000

= FRW 2,500,000.

B is the commission income only

QUESTION 38

Correct answer is A

Suppose Britam insurance company changed from time rate plus piecework and instead adopted a piecework method where Mr john is only paid a commission of 50% of the revenue collected from the insurance policies sold to clients. What will be the effect of this change to the earnings of Mr John for the month of March 2022?

Current pay

2,500,000

Commission based 50% ($500,000 \times 10$) 2,500,000

There will be no change.

QUESTION 39

Correct answer is A

Basic pay + house allowances + monthly bonus pay

B communication allowance is not part of gross pay

C other allowance are not specific and all allowances does not form part of gross pay

OUESTION 40

Correct answer is B

Human resource management

A operation department handle many activities of the company that fall in the normal course of business

C Production department deals with production

C Finance department deals with accounting and finance aspects

QUESTION 41

Correct answer is D

Job card is not for staff record but to describe work that was performed

All other points describe document kept to maintain staff record

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QUESTION 42

Correct answer is C

The budget cannot be used to control quality instead it is used to control expenditure.

QUESTION 43

Correct answer is A

Variance = actual – budget

Variance = 14,850,000 - 15,650,000 = 800,000 Adverse

QUESTION 44

Correct answer is **D**

Lack of Labor turnover cannot cause a variance in sales revenue.

Other points in A, B, C results into variance in sales

QUESTION 45

Correct answer is A

Variance = actual - budget

Variance = 2,500,000-2,450,000

23 Icpar = 50,000 Adverse

QUESTION 46

Correct answer is A

Variance = actual - budget

Variance = 1,800,000-1,500,00

2023 Logar = 300,000 Adverse

OUESTION 47

Which of the following could have not contributed to labor cost variance?

Correct answer is D

Change of pricing style can't cause labor cost variance.

QUESTION 48

Correct answer is C

The human resource manager is the overall coordinator of staff cost and its management

QUESTION 49

Correct answer is **B**

Procurement manager: He/she must be informed of material cost variance to plan it in the next procurements.

A Human resource is not interested much in material cost variance

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C Marketing manager deals with level of sales required to be met not material cost analysis

Sales promotion manager deals with sales not materials

QUESTION 50

In the process of reporting variances to the responsible manager, the variance reported is either Adverse or Favorable. In relation to incomes explain an adverse variance Correct answer is **A**

It arises when the actual income is less than the projected

END OF MARKING GUIDE AND MODEL ANSWERS

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