



CERTIFIED ACCOUNTANTING TECHNICIAN

STAGE 1 EXAMINATIONS

S1.2 PRINCIPLES OF COSTING

DATE: MONDAY 24, APRIL 2023

MARKING GUIDE AND MODEL ANSWERS

Marking Guide

QUESTION NUMBER	CORRECT CHOICE	MARKS AWARDED	QUESTION NUMBER	CORRECT CHOICE	MARKS AWARDED
01	D	2	26	D	2
02	D	2	27	A	2
03	A	2	28	A	2
04	C	2	29	C	2
05	C	2	30	C	2
06	A	2	31	A	2
07	C	2	32	C	2
08	D	2	33	B	2
09	C	2	34	A	2
10	D	2	35	D	2
11	A	2	36	A	2
12	D	2	37	A	2
13	D	2	38	A	2
14	B	2	39	A	2
15	A	2	40	B	2
16	A	2	41	D	2
17	A	2	42	C	2
18	D	2	43	A	2
19	A	2	44	D	2
20	D	2	45	A	2
21	C	2	46	A	2
22	A	2	47	D	2
23	C	2	48	C	2
24	A	2	49	B	2
25	D	2	50	A	2

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.

QUESTION 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.

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

QUESTION 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.

QUESTION 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

QUESTION 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)	<u>FRW 15,000,000</u>
Total production cost	<u>FRW 75,000,000</u>

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

QUESTION 15

Correct answer is A

Material cost	FRW 50,000,000
Labor cost	FRW 40,000,000
Production overheads	<u>FRW 25,000,000</u>
Total production cost	<u>FRW 115,000,000</u>

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

QUESTION 16

The correct answer is A

Material cost	FRW 50,000,000
Labor cost	FRW 40,000,000
Production overheads	<u>FRW 25,000,000</u>
Total production cost	FRW 115,000,000
Profit charged	<u>FRW 35,000,000</u>
Selling price	<u>FRW 150,000,000</u>

QUESTION 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 = $\frac{4,000,000}{20,000}$

Variable cost per unit = FRW 200

C is the total cost per unit including fixed costs

QUESTION 18

Correct answer is **D**

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

QUESTION 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 × 10,000

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

QUESTION 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

QUESTION 23

Correct answer is **C**

Fixed cost will remain unchanged irrespective of the production level.

QUESTION 24

Correct answer is **A**

Sales $(2500 \times 12,000) = 30,000,000$

Variable costs $(2000 \times 12,000) = (24,000,000)$

Fixed costs $(1,000,000)$

Net profit 5,000,000

QUESTION 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

QUESTION 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.

i) packaging is direct cost

QUESTION 28

Correct answer is A

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

Correct answer is C

100/180

A is the code for sale of water

B is the code for sale of juice

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

QUESTION 30

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

D: Doesn't mean anything in the coding system of Inyange

QUESTION 31

Correct answer is A

Dates	Receipt			issues			balance	
Month	Quantity	Price	Amount	quantity	Price	amount	quantity	amount
	FRW	FRW	FRW	FRW	FRW	FRW	FRW	FRW
1 st	-	-	-	-	-	-	500	6,000,000
5 th	500	10,000	5,000,000	-	-	-	1,000	11,000,000
10 th	-	-	-	500	12,000	6,000,000	500	5,000,000
10 th	-	-	-	100	10,000	1,000,000	400	4,000,000
15 th	-	-	-	200	10,000	2,000,000	200	2,000,000
20 th	1,000	12,000	12,000,000	-	-	-	1,200	14,000,000

25 th	-	-	-	200	10,000	2,000,000	1,000	12,000,000
25 th	-	-	-	600	12,000	7,200,000	400	4,800,000
30 th	600	10,000	6,000,000	-	-	-	1,000	10,800,000
31 st	-	-	-	400	12,000	4,800,000	600	6,000,000
31 st	-	-	-	100	10,000	1,000,000	500	5,000,000

The closing inventory is 500 units valued @ FRW 5,000,000.

QUESTION 32

The correct answer is C

Dates	Receipt			Issues			Balance	
Month	Quantity	Price	Amount	quantity	Price	amount	quantity	amount
	FRW	FRW	FRW	FRW	FRW	FRW	FRW	FRW
1 st	-	-	-	-	-	-	500	6,000,000
5 th	500	10,000	5,000,000	-	-	-	1,000	11,000,000
10 th	-	-	-	500	10,000	5,000,000	500	6,000,000
10 th	-	-	-	100	12,000	1,200,000	400	4,800,000
15 th	-	-	-	200	12,000	2,400,000	200	2,400,000
20 th	1,000	12,000	12,000,000	-	-	-	1,200	14,400,000
25 th	-	-	-	800	12,000	9,600,000	400	4,800,000
30 th	600	10,000	6,000,000	-	-	-	1,000	10,800,000
31 st	-	-	-	500	10,000	5,000,000	500	5,800,000

The closing inventory is 500 units valued @ FRW 5,800,000

QUESTION 33Correct answer is **B**

	Purchase			Issue			Balance	
Marc h	Quantit y	Price	Amount	quantit y	Price	amount	quantit y	amount
1 st	-	-	-	-	-	-	500	6,000,000
5 th	500	10,000	5,000,000	-	-	-	1,000	11,000,000
10 th	-	-	-	600	11,000	6,600,000	400	4,400,000
15 th	-	-	-	200	11,000	2,200,000	200	2,200,000
20 th	1,000	12,000	12,000,000	-	-	-	1,200	14,200,000
25 th	-	-	-	800	11,833	9,466,667	400	4,733,333
30 th	600	10,000	6,000,000	-	-	-	1,000	10,733,333
31 st	-	-	-	500	10,733	5,366,500	500	5,366,833

The closing stock value is 500 units values @ 5,336,833

QUESTION 34Correct answer is **A**

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

QUESTION 35Correct 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?

Correct answer is **A**

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

B is the total pay including monthly salary

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

QUESTION 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

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

= 50,000 Adverse

QUESTION 46

Correct answer is A

Variance = actual – budget

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

= 300,000 Adverse

QUESTION 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

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