



**CERTIFIED ACCOUNTING TECHNICIAN  
STAGE 1 EXAMINATIONS**

**S1.2: PRINCIPLES OF COSTING**

**DATE: MONDAY 24, APRIL 2023**

**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 is not true about partnership business?**

- A It has a minimum of 2 partners with a maximum of 20 partners.
- B The shareholders of the partnership business are partners.
- C Unless it is registered as a limited liability partnership, partners are personally liable for the partnership liabilities and debts.
- D The membership of the partnership can be increased beyond 20 partners.

**(2 Marks)**

**QUESTION TWO**

**Which of the following statements is not correct about a business transaction?**

- A There must be an aspect of buying and selling.
- B The transaction can either be a cash transaction or a credit transaction.
- C It involves issuance of invoices by either the business or supplier.
- D It is only recorded in the books of accounts when payment has been made.

**(2 Marks)**

**QUESTION THREE**

XYZ Ltd is a company located in Kigali Special Economic Zone. The company produces facemasks as its principal activity. The facemasks are sold directly to consumers.

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

- A XYZ Ltd is a consumer goods manufacturer.
- B XYZ Ltd is a service providing company.
- C XYX Ltd is a raw material manufacturer.
- D XYZ Ltd is distributing company.

**(2 Marks)**

**QUESTION FOUR**

**Which of the following is not a computerized accounting system?**

- A Computerized inventory management system.
- B Computerized payroll management system.
- C Computerized personnel management system.
- D Computerized tax management system.

**(2 Marks)**

**QUESTION FIVE**

**Which of the following statements is not true about the statement of financial position?**

- A It is a statement of assets and liabilities of a business.
- B It shows owners' equity and interest in business.
- C It shows the financial performance of the business.
- D It shows the financial position of the business as at a given date.

**(2 Marks)**

**QUESTION SIX**

**The trading profit and loss account is viewed as a statement of incomes and expenses. Which one of the following is not an item of the income statement?**

- A Drawings
- B Payroll expenses
- C Finance cost
- D Investment income

**(2 Marks)**

**QUESTION SEVEN**

**Which one of the following is not a capital expenditure?**

- A Replacement of a roof for business premises.
- B Replacement of business car engine.
- C Painting of business premises.
- D Purchase of office furniture.

**(2 Marks)**

**QUESTION EIGHT**

**Which of the following is not correct about financial accounting?**

- A Financial accounting mainly reports to investors, lenders and regulatory authorities.
- B Financial accounting detail is mainly about the performance of the business.
- C Financial accounting presents basically historic picture of past operations.
- D Financial accounting details are for internal use by management.

**(2 Marks)**

**QUESTION NINE**

**Which of the following is not a function of management accounting?**

- A Provides information that is useful for planning.
- B Determining the cost of manufacturing certain products.
- C To show the financial position of a business.
- D To determine the pricing of products and services.

**(2 Marks)**

**QUESTION 10**

**Financial accounting is mainly used by external or third parties as a basis of making economic decisions. Who among the following is not a user of financial accounting information?**

- A Bankers.
- B Investors.
- C Government agencies.
- D The internal management.

**(2 Marks)**

**QUESTION 11**

**The government requires accounting information of a business for?**

- A Regulation and ascertainment of taxable capacity of a business enterprise.
- B Marketing government products.
- C Creation of customer awareness for business products.
- D Creation of job opportunities for her citizens

**(2 Marks)**

**QUESTION 12**

**Revenue Authority (RA) did a transaction audit for ABC Ltd and discovered that, they are not compliant with the regulations of business operations in Rwanda.**

**Which one of the following is not a course of action that can be taken by RA as a penalty or consequence for non-compliance?**

- A Impose heavy penalties
- B Withdrawal of operating license
- C Suspend business operations for a certain period
- D Initiate the process of laying off of the managing director

**(2 Marks)**

**QUESTION 13**

Which one of the following costs is not classified according to function?

- A Selling and distribution cost
- B Production cost
- C Administration cost
- D Research and development cost

(2 Marks)

The information provided below shall be used to answer question 14, 15 and 16

During the year ended 31<sup>st</sup> December 2021 a company had the following cost data

Material cost (indirect material 40%) FRW 50,000,000

Labor cost (indirect labor 25%) FRW 40,000,000

Production overheads (Variable overheads 60%) FRW 25,000,000

**QUESTION 14**

From the above details what is the total direct costs?

- A FRW 115,000,000
- B FRW 75,000,000
- C FRW 90,000,000
- D FRW 65,000,000

(2 Marks)

**QUESTION 15**

From the details provided above what is the total production cost?

- A FRW 115,000,000
- B FRW 90,000,000
- C FRW, 75,000,000
- D FRW 65,000,000

(2 Marks)

**QUESTION 16**

Based on the details provided above, suppose the selling price is FRW 150,000,000. What is the gross profit?

- A FRW 35,000,000.
- B FRW 65,000,000.
- C FRW 25,000,000.
- D FRW 45,000,000.

(2 Marks)

**QUESTION 17**

Toyota Rwanda assembles vehicles in Kigali Rwanda and during the year ended 31<sup>st</sup> December 2021 the following cost data was provided. The electricity consumed was FRW 5,000,000 of which the fixed charge was FRW 1,000,000. **If 20,000 units of power were consumed during the year, what was the variable cost per unit?**

- A FRW 200 per unit
- B FRW 100 per unit
- C FRW 250 per unit
- D FRW 300 per unit

**(2 Marks)**

**QUESTION 18**

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

- A Guaranteed minimum wage of FRW 200,000 plus 10% commission of sales made.
- B Electricity of FRW 500,000 plus FRW 200 per unit consumed.
- C Fixed salary of 300,000 plus FRW 1,000 per unit produced.
- D A salary that is based on a graduated scale.

**(2 Marks)**

**QUESTION 19**

During the month of January 2022 an employee working with ABC Ltd was paid a salary of FRW 1,000,000. If he produced 1,000 units and the rate per unit was FRW 600. **What was the guaranteed minimum wage?**

- A FRW 400,000
- B FRW 500,000
- C FRW 600,000
- D FRW 300,000

**(2 Marks)**

**QUESTION 20**

**Which of the following is not a direct cost in a business enterprise?**

- A Cost of materials that are converted into finished goods
- B Cost of personnel directly engaged in production of finished goods
- C Cost of power used in production of finished goods.
- D Cost of depreciation of delivery van.

**(2 Marks)**

**The following information relate to Q21, Q22, Q23 and Q24**

In the month of march 2022 a company produced 10,000 units of finished goods after incurring the following costs in FRW:

Direct material cost per unit	750
Direct labor cost per unit	650
Variable production overhead cost per unit	600
Total variable production cost	2,000
Contribution per unit	500
Total fixed cost	1,000,000

**QUESTION 21**

**What is the total variable cost of production from the details provided above?**

- A FRW 19,000,000
- B FRW 14,000,000
- C FRW 20,000,000
- D FRW 15,000,000

**(2 Marks)**

**QUESTION 22**

**What is the likely effect to variable production cost if units produced increased to 12,000 units?**

- A Will increase by FRW 4,000,000
- B Will increase by FRW 2,000,000
- C Will remain unchanged
- D Will increase by FRW 2,000

**(2 Marks)**

**QUESTION 23**

**What will be the effect to fixed costs of FRW 1,000,000 if the output increased from the current units to 12,000 units**

- A It will increase by FRW 2,000,000
- B It will increase by FRW 2,000
- C It will remain unchanged
- D It will increase by FRW 1,000,000

**(2 Marks)**

**QUESTION 24**

**Suppose the selling price per unit is FRW 2,500 what will be the net profit if 12,000 units are produced and sold?**

- A FRW 5,000,000
- B FRW 30,000,000
- C FRW 25,000,000
- D FRW 4,000,000

**(2 Marks)**

**QUESTION 25**

**Which one of the following is not a direct raw material?**

- A Wheat/barley used in the bakery industry.
- B Cotton used in the textile industries.
- C Clay used in brick making cottage.
- D Packages used to pack baked bread.

**(2 Marks)**

**QUESTION 26**

**Which one of the following is not part of business inventory?**

- A Raw material for manufacturing products.
- B Manufactured goods in the warehouse.
- C Work started but not yet completed.
- D Goods sold to clients but not yet delivered to them.

**(2 Marks)**

**QUESTION 27**

**A company placed an order for purchase of the following items.**

- i. Packing materials for manufactured goods
- ii. Consumables like oil and lubricants
- iii. Materials convertible to finished goods.

**Which of these materials comprises of indirect materials?**

- A (ii) only
- B (ii) and (iii)
- C (i) and (iii)
- D All of them

**(2 Marks)**



**QUESTION 28**

**Which of the following is a feature of work in progress?**

- A Production work that was started during the period but has not attained 100% degree of completion.
- B Raw material not yet committed into the production process.
- C Finished goods in store awaiting to be delivered to customers.
- D Raw materials purchased but not yet delivered to the business premises by suppliers.

**(2 Marks)**

**The following information relates to question Q29 and Q30**

Inyanja Ltd is a dealer in many products ranging from water, juice and milk. The company uses numerical coding structure based on a centralized profit center as indicated in the four columns below. Each code has a subcode and therefore each transaction should be coded using code/subcode.

Profit/cost center	Profit/cost code	Sub-classification	Sub-code
Sales revenue	100	Sale of water	120
		Sale of juice	150
		Sale of milk	180
Production cost	200	Direct material cost	210
		Direct labor cost	240
		Variable production overheads	270

**QUESTION 29**

**What is the code for sale of milk?**

- A 100/120
- B 100/150
- C 100/180
- D 200/180

**(2 Marks)**

**QUESTION 30**

**Which of the following is the code for variable production overhead cost?**

- A 200/210
- B 200/240
- C 200/270
- D 100/270

**(2 Marks)**

**The following information relates to Q31, Q32, Q33 & Q34**

The following details relates to MG Ltd for the month of March 2022

1<sup>st</sup> March opening inventory balance 500 units @ FRW 12,000 each.

5<sup>th</sup> March received 500 units @ FRW 10,000 each

10<sup>th</sup> March issued 600 units

15<sup>th</sup> March issued 200 units

20<sup>th</sup> received 1,000 units @ FRW 12,000 each

25<sup>th</sup> issued 800 units

30<sup>th</sup> received 600 units @ FRW 10,000 each

31<sup>st</sup> issued 500 units

**QUESTION 31**

**Based on the above data which of the following is the correct value of closing inventory as per First In First Out (FIFO) inventory valuation method?**

- A FRW 5,000,000
- B FRW 6,000,000
- C FRW 10,000,000
- D FRW 11,000,000

**(2 Marks)**

**QUESTION 32**

**Based on the above data which of the following is the correct value of closing inventory as per Last In First Out (LIFO) inventory valuation method?**

- A FRW 6,000,000
- B FRW 5,000,000
- C FRW 5,800,000
- D FRW 7,000,000

**(2 Marks)**

**QUESTION 33**

**The closing inventory per weighted average price method of inventory valuation method is?**

- A FRW 5,000,000
- B FRW 5,366,833
- C FRW 6,000,000
- D FRW 7,000,000

**(2 Marks)**

**QUESTION 34**

**Which of the following is an advantage of using First In First Out inventory valuation method?**

- A The inventory is always valued at the very cost with which they were acquired.
- B It always assumed that stock movement is regulated and monitored accordingly
- C It ensures the desirable stock levels are maintained
- D It takes care of changes in market prices.

**(2 Marks)**

**QUESTION 35**

**Which of the following documents is not related to inventory management?**

- A Purchase requisition
- B Quotation
- C Delivery note
- D Petty cash voucher

**(2 Marks)**

**The following information relates to Q36, Q37 and Q38**

Mr Jhon work with **BAM INSURANCE COMPANY** Ltd is remunerated as follows. He is paid a monthly salary of FRW 1,000,000 and a commission of 30% of revenue collected from every insurance policy sold to a client. During the month of March 2022, he sold 10 insurance policies each valued 500,000.

**QUESTION 36**

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

- A FRW 1,500,000
- B FRW 2,500,000
- C FRW 3,500,000
- D FRW 4,500,000

**(2 Marks)**

**QUESTION 37**

**What was the total earning for Mr John for the month of March 2022?**

- A FRW 2,500,000
- B FRW 1,500,000
- C FRW 3,500,000
- D FRW 4,500,000

**(2 Marks)**

**QUESTION 38**

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?

- A No change
- B Mr John's earning will increase by FRW 50%
- C Mr John's earnings will decrease because of elimination of monthly pay
- D Mr John's salary will increase by FRW 1,000,000

**(2 Marks)**

**QUESTION 39**

What are the components of gross pay?

- A Basic pay, house allowances, and Monthly bonus pay
- B Basic pay, house allowance and communication allowance
- C Basic pay, medical allowance and other allowances
- D Basic pay only

**(2 Marks)**

**QUESTION 40**

Which department in an organization is responsible for staff development?

- A Operations department.
- B Human resource management.
- C Production department.
- D Finance department.

**(2 Marks)**

**QUESTION 41**

Which one of the following is not a document kept to maintain staff records?

- A Attendance record book
- B Signing in book
- C Clock card
- D Job card

**(2 Marks)**

**QUESTION 42**

**Which of the following statement is not true about the budget?**

- A Is a statement of proposed revenue sources and expenditure items
- B It is a financial planning tool used by management.
- C It is a quality control tool.
- D It is a guide on how to spend scarce resources of the organization.

**(2 Marks)**

**The following information relates to questions Q43, Q44, Q45, Q46 and Q47**

QC Ltd is a company operating in Rwanda for the past one decade. During the financial year ended 31<sup>st</sup> December 2021 they had the following projections and actual performance:

DETAILS	BUDGET (FRW)	ACTUAL(FRW)
Sales revenue	15,650,000	14,850,000
Material A	10,500,000	11,500,000
Material B	2,450,000	2,500,000
Labor	1,500,000	1,800,000

**QUESTION 43**

**From the above provided details what is the sales revenue variance?**

- A FRW 800,000 Adverse
- B FRW 800,000 Favorable
- C FRW 500,000 Adverse
- D FRW 500,000 Favorable

**(2 Marks)**

**QUESTION 44**

**Which of the following could not have contributed to the sales revenue variance?**

- A Changes in market prices
- B Sales of more/less units than planned while price remain unchanged
- C Production of inferior quality affecting prices
- D Lack of labor turnover

**(2 Marks)**

**QUESTION 45**

**From the above provided details, what is material B cost variance?**

- A FRW 50,000 Adverse
- B FRW 50,000 Favorable
- C FRW 100,000 Adverse
- D FRW 100,000 Favorable

**(2 Marks)**

**QUESTION 46**

**From the above provided detail, what is the labor cost variance?**

- A FRW 300,000 Adverse
- B FRW 300,000 Favorable
- C FRW 200,000 Adverse
- D FRW 200,000 Favorable

**(2 Marks)**

**QUESTION 47**

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

- A Use of different grades of employees than budgeted for
- B Working for overtime which was not planned for
- C Machine breakdown resulting to idle time
- D Change of pricing style

**(2 Marks)**

**QUESTION 48**

**Who is responsible for labor cost variances in an organization?**

- A The production manager
- B The finance manager
- C The human resource manager
- D The operations manager

**(2 Marks)**

**QUESTION 49**

**Who among the following managers should a significant material cost variances be reported to?**

- A Human resource manager
- B Procurement manager
- C Marketing manager
- D Sales promotion manager

**(2 Marks)**

**QUESTION 50**

**In the process of reporting variances to the responsible manager, the variance reported is either Adverse or Favorable. Among the following definition which one describe adverse variance for income.**

- A It arises when the actual income is less than the projected.
- B It arises when the actual income is more than the projected.
- C It arises when the actual income is the same as the projected.
- D It arises when there is a market flux.

**(2 Marks)**

**End of question paper**



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