



**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATIONS**

S2.2 MANAGING COSTS AND CASH FLOWS

DATE: THURSDAY 27, 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.**

SECTION A

QUESTION ONE

Which of the following explains how principal is paid under Balloon repayment term?

- A Full amount of loan principal is repaid at the end of loan term
- B Loan principal is repaid over the term of loan until there is no outstanding balance at the end of the loan period.
- C Loan principal is repaid during the term of the loan but the majority is repaid at the end of loan period.
- D Loan principal is repaid in fixed instalments with big portion repaid in first 2 instalments.

(2 Marks)

QUESTION TWO

Rwandoha Ltd, is consultant company specialises in strategic corporate and loan restructuring, a client has approached the company to advise on proper source of short-term finance to deal with working capital issues. during the discussions, analyst mentioned bank overdraft as a best way to deal with working capital issues.

Which of the following is not characteristic of Bank overdraft finance?

- E Flexibility in facility negotiation and administration
- F It is mainly short term in nature
- G Borrower needs to have collateral security
- H Interest payment might be higher than on a loan of the same amount

(2 Marks)

QUESTION THREE

Which of the following is NOT a reason why cash generated during the period is NOT the same as profit earned during the same period?

- A Profit for the period is calculated using accrual concept.
- B Extra ordinary expenses incurred by the business that is not related to normal business operations of company.
- C Existence of non-cash expenses that reduced the profit for the period.
- D Sale of non-current assets that leads to cash inflows

(2 Marks)

The following data relates to question 4, 5, 6 and 7

Bweyeye tea factory estimated sales for January, February, March and April are FRW 9,000,000, FRW 12,000,000, FRW 15,000,000 and FRW 17,000,000 respectively. From experience with customers, 50% is repaid back in the month sales are made, 30% in the following month and 20% repaid in the following month (2 months after sales are made).

The purchases estimated were FRW 4,000,000, FRW 6,000,000, FRW 9,000,000 and FRW 12,000,000. The company has an agreement with suppliers that 40% of purchases are paid within the month of purchase. 30% paid in the following month and with rest being paid in the next month (2 months after purchase is made).

Each month the company pays different invoices, the same are as follow, electricity bills has been constant at FRW 600,000 per month over the last 2 years and is expected to remain the same in the foreseeable future, internet cost of FRW 300,000, other operating expenses of FRW 1,000,000. The company plans also to purchase laptops for new staff that will cost FRW 2,500,000 in April. and in the next quarter loan is expected to be paid in April and the amount is equal to FRW 4,000,000.

During the month of April, the company received total cash inflows of FRW 17,000,000. Total payments made during the same period was FRW 16,800,000 and management wishes to review budget execution.

QUESTION FOUR

Determine cash collection cash sales and debtors in April?

- A FRW 14,800,000
- B FRW 13,000,000
- C FRW 12,900,000
- D FRW 15,400,000

(2 Marks)

QUESTION FIVE

Determine net cash requirement in April?

- A FRW 4,700,000
- B FRW 2,900,000
- C FRW 2,300,000
- D FRW 4,800,000

(2 Marks)

QUESTION SIX

Determine variance of cash receipts over budget for April?

- A FRW 4,000,000 Favourable
- B FRW 2,200,000 Favourable
- C FRW 1,600,000 Favourable
- D FRW 1,700,000 Unfavourable

(2 Marks)

QUESTION SEVEN

Determine variance of total cash outflows over budget for April?

- A FRW 900,000 Favourable
- B FRW 1,500,000 favourable
- C FRW 3,400,000 Favourable
- D FRW 3,300,000 Favourable

(2 Marks)

QUESTION EIGHT

Among the following theories, which one describes that money received in the current time are more worth than money to be received in future?

- A Cash Value of money
- B Time Value of money
- C Storage Value of money
- D Lead Value of money

(2 Marks)

QUESTION NINE

The Project's expected monetary loss or gain by discounting all cash outflows and inflows, using required rate of return is classified as?

- A Net present value
- B Net future value
- C Net discounted rate
- D Net recorded cash value

(2 Marks)

QUESTION TEN

Which of the following is a feature of Job order costing?

- A Production is carried out in accordance with wishes of the customer
- B Establishes the costs of services rendered
- C Associated with continuous production of large volumes of low-cost items
- D Costs are charged over the units produced in the period

(2 Marks)

QUESTION 11

Management of Gasabo Limited has resolved to invest all extra cash over its budget for the 3 months to avoid cash drags. A range of possibilities have been availed and decision was made to save it into a fixed term deposit at the bank. Currently the management has a cash surplus of FRW 50,000,000, and the bank has provided with them a 3-month fixed term deposit option with an annualized earning interest rate of 8%.

Determine the amount of interest Gasabo Limited expects to earn from the 3 Month fixed term deposit?

- A FRW 4,000,000
- B FRW 333,333
- C FRW 1,000,000
- D FRW 1,200,000

(2 Marks)

QUESTION 12

Which of the following is part of prime cost?

- A Expenses incurred on delivery of products to customers
- B Depreciation of printer that is used in office of CEO
- C Cost paid to consultants who were hired to help company on efficient use of processing machine
- D None of the above

(2 Marks)

QUESTION 13

Which of the following is a non-production overhead?

- A Depreciation of machineries
- B Factory rent
- C Managing director's benefits
- D Factory heating and lighting

(2 Marks)

QUESTION 14

Absorption costing is a method used when cost accountant needs to do one of the following?

- A Allocating CEO's salary to production
- B Determining amount of overhead cost to be allocated to unit produced
- C Allocation of factory machine hours cost to administration
- D None of the above

(2 Marks)

QUESTION 15

Which of the following is not a method of calculating cost per unit?

- A Absorption costing
- B Activity based costing
- C Marginal costing
- D Management based costing

(2 Marks)

QUESTION 16

Under LIFO method, closing inventory is measured at which of the following prices?

- A Most recent price items were purchased on.
- B Old prices under which items were purchased on since closing stock is mainly composed by items purchased before and stayed for long in stock
- C Average price of items purchased in different time flame
- D Non-of the above

(2 Marks)

The following relates to question 17,18 and 19

Ingenzi Limited is manufacturing company incorporated in Rwanda since 2010, the company has been experiencing significant growth over years. However, management experienced challenges in determining cost incurred in production of one unit. The following information was availed to you.

Month	Total units produced	Total cost incurred FRW'000'
January	32,000	505,000
February	47,000	680,000
March	58,000	845,000
April	63,000	920,000
May	51,000	790,000

QUESTION 17

Using High Low methods determine the variable cost per unit?

- A FRW 13,387
- B FRW 14,603
- C FRW 15,781
- D None of the above

(2 Marks)

QUESTION 18

Using high low method determine the total cost incurred in June if the units produced were 70,000?

- A FRW 1,013,710,000
- B FRW 1,098,835,000
- C FRW 1,181,300,000
- D None of the above

(2 Marks)

QUESTION 19

Which of the following is the estimated company's total fixed costs for the period using high low method?

- A FRW 68,548,000
- B FRW 76,612,903
- C FRW 63,450,000
- D None of the above

(2 Marks)

QUESTION 20

Which of the following is a description of a semi-variable cost?

- A Costs that contain both fixed and variable element
- B Cost that changes with level of activity/units produced
- C Costs that do not change irrespective to the level of activity even though the factory machine are idle.
- D None of the above

(2 Marks)

QUESTION 21

Which of the following is not a principle of marginal costing?

- A Period fixed costs are the same for any volume of sales and production
- B Profit measurement should be based on an analysis of total contribution
- C Extra cost incurred when unit is produced is considered variable production cost
- D It is not necessary to distinguish between variable cost and fixed cost

(2 Marks)

QUESTION 22

Which of the following is not a distinction between marginal and absorption costing?

- A In marginal cost it is necessary to identify variable cost, contribution and fixed cost
- B Marginal cost and absorption costing give different result if opening inventory is different to closing inventory
- C Both methods are used in allocating cost to units produced
- D None of the above

(2 Marks)

QUESTION 23

Cyanika Limited manufactures ring binders which are embossed with customer own logo. A customer has ordered for a batch of 300 binders. The following data illustrate the cost for typical batch of 100 Binders.

Direct material cost	FRW 50,000
Direct wage cost	FRW 20,000
Machine set up cost	FRW 3,000
Design and artwork cost	FRW 30,000

Gross profit margin is 25% of sales value

What was selling price for a batch of 300 binder?

- A FRW 324,000
- B FRW 432,000
- C FRW 300,000
- D None of the above

(2 Marks)

QUESTION 24

Which of the following is NOT a drawback of payback period?

- A It doesn't take into account cashflow after payback period
- B It fails to take into account time value of money
- C It is too simple and easily understood by management, hence investment analyst can use the same to ensure management doesn't consider a lot of options when taking decision.
- D None of the above.

(2 Marks)

QUESTION 25

An Employee in Beverage manufacturing company is paid FRW 4,000 per hour worked. The following units were produced in June 2022:

4 units of product A	3.5 hours
5 units of product B	6 hours

His salary per week was?

- A FRW 176,000
- B FRW 187,000
- C FRW 120,000
- D FRW 160,000

(2 Marks)

QUESTION 26

Kivu manufacturing Ltd acquired a factory machine in October 2022 that was meant to work for 16 hours per day in working days and 10 hours in a weekend. However, machine has to be cleaned and serviced every month. The management has resolved that one weekend in a month the machine will be cleaned and serviced. Hence, no works is expected from the machine. A month is considered to have 4 weeks of 30 Days

What is expected number of hours the machine will work during the month of October 2022 that management will consider during the budgeting process?

- A 400 hours
- B 480 hours
- C 432 hours
- D None of the above

(2 Marks)

The following relates to question 27, 28, and 29

The two departments that make up the majority of Ruhondo Manufacturing Limited are the service department and the production department. Rent overheads are allocated to department based on floor space occupied.

The company's actual total production overhead expenditure per machine hour was FRW 4,500 and actual machine hours were 21,000 hours. Its actual activities and predetermined overhead absorption rates are as provided below.

Rent expense incurred	FRW 35,000,000
Floor area occupied	
Production department	1,200 m ²
Service department	1,600 m ²

	Machine shop A	Machine shop B
Machine usage hours	6,800	13,500
Predetermined overhead absorption rates	FRW 8,000 per machine hour	FRW 3,000 per machine hour

QUESTION 27

What is the rent cost to be allocated to both department?

- | | Production | Service |
|---|---|----------------|
| A | FRW 15,000,000 | FRW 20,000,000 |
| B | FRW 20,000,000 | FRW 15,000,000 |
| C | FRW 25,000,000 | FRW 10,000,000 |
| D | No proper allocation is made from above | |

(2 Marks)

QUESTION 28

What is total absorbed cost?

- A FRW 94,500,000
- B FRW 88,500,000
- C FRW 105,000,000
- D FRW 54,400,000

(2 Marks)

QUESTION 29

Determine whether company has over/under absorbed production overhead?

- A FRW 300,000 Over absorbed
- B FRW 400,000 Under absorbed
- C FRW 400,000 Over absorbed
- D FRW 300,000 Under absorbed

(2 Marks)

QUESTION 30

Which of the following is not under steps involved in calculating overhead cost to be charged to cost units?

- A Allocation
- B Comparison
- C Apportionment
- D Absorption

(2 Marks)

QUESTION 31

A company is considering an immediate investment in new machinery. The machinery would cost FRW 200,000,000 with expected net cash inflow of FRW 70,000,000 year starting in year 1. The disposal value of the machine after 5 years is expected FRW 20,000,000.

Company's cost of capital is 10%

What is discounted payback period of the investment based on future incremental cash flows?

- A 3 years
- B 3.7 years
- C 3.5 years
- D 5 years

(2 Marks)

QUESTION 32

The below is an extract from sales report of Kami Ltd for their two sales staff during the month of July 2022.

		FRW Actual	FRW Budgeted
Salesperson	Karekezi	9,500,000	9,000,000
	Karumugabo	6,500,000	9,000,000

Karumugabo's sales variance for the month is?

- A Favourable
- B Adverse
- C Budgeted
- D None of the above

(2 Marks)

QUESTION 33

Management accountant has made the following statement about variance analysis,

Statement 1 An adverse variance is always good for the business

Statement 2 An adverse variance is always bad for the business

Which of the above statements is correct?

- A Both statements are false
- B Both statements are true
- C Statement 1 is true but statement 2 is false
- D Statement 1 is false but statement 2 is true

(2 Marks)

Use the information below for Question 34 and 35

Sales for the company have historically increased by 12% annually, and for the purposes of strategic planning, management consider this growth to be unchanged and would like to project revenue over the next five years. Sales were FRW 200,000,000 during the current year.

The management anticipates that the company's gross profit margin will remain at 40% of total revenue during the following five years, as it has in the past.

QUESTION 34

What is the forecasted sales revenue in the 4th year?

- A FRW 320,500,000
- B FRW 314,703,872
- C FRW 300,000,000
- D FRW 350,000,000

(2 Marks)

QUESTION 35

What is the forecasted cost of sales for the 4th year?

- A FRW 145,860,750
- B FRW 188,882,323
- C FRW 154,860,750
- D None of the above

(2 Marks)

QUESTION 36

Garlic processing ltd, is a company adding value to low garlic produced by farmers in northern and western part of Rwanda. During the annual review of performance, the management showcased that company had produced and sold 60 tonnes of Garlic powder at an average selling price of FRW 5,000 per Kg. Hence a total revenue of FRW 300,000,000

Initially, the company has budgeted to produce and sell 50 tonnes of garlic powder at an average selling price of FRW 5,500 per Kg of Garlic powder to enable them earn a total revenue of FRW 275,000,000

What is the production variance for Garlic processing Ltd during the year?

- A 10 tons favorable
- B 10,000 kg unfavorable
- C 9 tons favorable
- D None of the above

(2 Marks)

QUESTION 37

Which of the following is the reason why the company had a favorable variance in revenue despite poor performance in price per unit?

- A The company has a favorable variance because it has managed to sold more units than budgeted.
- B The company was able to sell one Kg at a price higher than budgeted
- C The company was able to sell one kg at a price below than budgeted
- D None of the above

(2 Marks)

QUESTION 38

In Decision making the costs which needs to be considered are said to be relevant costs.

Which of the following are relevant costs?

- (i) Future costs
- (ii) Unavoidable costs
- (iii) Incremental costs
- (iv) Opportunity costs

- A (i) and (ii) only
- B (i) and (iii) only
- C ((i), (iii) and (iv) only
- D All of the above

(2 Marks)

QUESTION 39

Are the following statements true or not about breakeven point

- 1 The breakeven point is the level whereby sales revenue is greater than total costs.
- 2 The margin of safety is excess of breakeven point sales level over total sales.

Which of the above statement is true?

- A Both statements are true
- B Both statements are false
- C Statement 1 is true and statement 2 is false
- D Statement 1 is false and statement 2 is true

(2 Marks)

QUESTION 40

Which of the following is not a characteristic of job order costing?

- A Customer driven production
- B Complete production possible when requested
- C Homogeneous products
- D All of the above

(2 Marks)

QUESTION 41

Which of the following is not an element of control cycle?

- A Decide, Goal and Objectives
- B Develop Plan
- C Compare actual performance with plan
- D Penalise managers with adverse variance

(2 Marks)

Question 42

Which of the following is the responsibility of the profit center manager?

- A Responsible for revenues, investment but not cost
- B Responsible for costs but not revenues
- C Responsible for revenues but not costs
- D Responsible for revenues and costs

(2 Marks)

QUESTION 43

Kagabo Ltd entered into an agreement with a Production Partner who under the terms of the agreement was not to change the contracted cost either upwards or downwards within the first eight months regardless any economic situation.

Which of the following is true about the cost of this agreement with Kagabo Ltd?

- A Uncontrollable cost
- B Avoidable cost
- C Semi-variable cost
- D Prime costs

(2 Marks)

QUESTION 44

Which of the following describes the margin of safety?

- A Actual contribution margin achieved compared with that required to break even
- B Actual sales compared with sales required to break even
- C Actual verses budgeted net profit margin
- D Actual verses budgeted sales

(2 Marks)

QUESTION 45

Which of the following cannot be considered for profit centre in a hotel?

- A Guest per night
- B Person employed in a hotel restaurant
- C Meal served in a hotel restaurant
- D Cost for senior management meeting

(2 Marks)

QUESTION 46

Which of the following is a way of funding a cash deficit?

- (i) Leading and Lagging
- (ii) Borrowing from the bank
- (iii) Selling short term financial instrument
- (iv) Using current retained earning

A (i) and (ii) only

B (i), (ii), and (iii) only

C (i), (ii), and (iv) only

D (i), (ii), (iii) and (iv)

(2 Marks)

QUESTION 47

Which of the following are the key factors a company should consider when considering the investment of surplus funds?

- A Safety, exposure and profitability
- B Safety, exposure and liquidity
- C Exposure, profitability and liquidity
- D Safety and profitability

(2 Marks)

QUESTION 48

The production cost of Job J320 was FRW 15,400,000. Administration costs are charged to jobs at 30% of production cost. The amount charged to the customer is calculated to provide a gross profit margin of 40%.

What is the net profit on Job J320 if the sales value was FRW 25,666,667?

- A FRW 5,646,667
- B FRW 4,620,000
- C FRW 10,266,667
- D FRW 4,106,667

(2 Marks)

QUESTION 49

Which of the following is the effective annual rate of interest of 4.3% compounded every six months?

- A 8.6%
- B 8.78%
- C 4.346%
- D 10.88%

(2 Marks)

QUESTION 50

Which of the following statements describe a discounting factor?

- A A discount factor is a factor applied to a future cash flow to find its present value
- B A discount factor is a factor used to offer discounts to customers
- C A discount factor is a factor applied to a past and present cash flow to find its present value
- D A discount factor is a factor used to monitor cash flows in a business

(2 Marks)

End of question paper