



CERTIFIED ACCOUNTING TECHNICIAN

STAGE 3 EXAMINATIONS

S3.2: MANAGEMENT ACCOUNTING

DATE: THURSDAY, 27 APRIL 2023

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

QUESTION ONE

Which Two of the following are not financial indicators to measure efficiency?

- (i) Cost per unit of activity
- (ii) Utilisation of resources
- (iii) Quality of service/output measures
- (iv) Comparison with benchmark information

- A (i) and (ii)
- B (i) and (iii)
- C (ii) and (iii)
- D (iii) and (iv)

(2 Marks)

QUESTION TWO

Which of the following is the correct definition of effectiveness?

- A It consists of attaining desired results at minimum costs,
- B It is utilization of resources such that the output of the activity achieves the desired result,
- C It is the acquisition of resources of appropriate quantity and quality at minimum cost.
- D None of the above

(2 Marks)

QUESTION THREE

Which of the following statements about forecasting problems are correct?

- (i) The further into the future the forecast is the more unreliable it is likely to be,
- (ii) The less data available on which to base the forecast, the less reliable the forecast,
- (iii) The pattern of trend and seasonal variations cannot be guaranteed to continue in the future,
- (iv) There is always the danger of random variations upsetting the patterns.

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

(2 Marks)

QUESTION FOUR

Which of the following is the correct order of the five stages of a product life cycle?

- A Development, launch, Growth, Maturity, Decline
- B Development, Growth, Launch, Maturity, Decline
- C Launch, Development, Growth, Maturity, Decline
- D Launch, Growth, Development, Maturity, Decline

(2 Marks)

QUESTION FIVE

Pablo Ltd manufactures very known and delicious bread in city of Kigali. Its sales budget and finished goods inventory budget for the period 1 are as follows:

Description	Quantity
Sales	24,000 units
Opening Inventory, finished goods	3,000 units
Closing Inventory, finished goods	6,000 Units

The goods are inspected only when production work is completed, and it is budgeted that 10% of finished goods will be scrapped.

What is would be the total production required?

- A 23,333 units
- B 30,000 units
- C 36,667 units
- D 27,000 Units

(2 Marks)

QUESTION SIX

Lewis & Sons Ltd is a company manufacturing Made in Rwanda bags in Kigali. The standard direct labour hour content of the bag is 3 hours. The budgeted productivity ratio for direct labour is only 90% (which means that labour is only working at 90% efficiency).

In period 1, Lewis & Sons is expected to employ 15 direct operatives working on average 120 working hours each and they are expected to produce 3,000 bags.

Which would be the direct labour budget?

- A 8,100 hours
- B 9,000 hours
- C 10,000 hours
- D None of the above

(2 Marks)

QUESTION SEVEN

Anabella shoes company produces durable and famous shoes in Musanze. Each pair of shoes uses 1.5 meters of leather at a standard cost of FRW 1,800 per meter, 3 hours of labour at FRW 700 per hour. Variable overheads have a standard cost of FRW 400 per hour. The company has fixed production overheads of FRW 200,000 and is budgeting to produce 500 pairs of shoes. A standard profit of FRW 3,000 is added to cost to determine standard price.

What would be the standard selling price of one pair of shoes?

- A FRW 9,400
- B FRW 6,300
- C FRW 8,600
- D None of the above

(2 Marks)

QUESTION EIGHT

Which of the following is the definition of “Basic Standard”

- A. These are standards based on perfect operating conditions,
- B. Those standards are usually based on the current working conditions,
- C. Those are standards that are kept unaltered over a long period of time,
- D. Those standards are based on the hope that a standard amount of work will be carried out efficiently, machines properly operated or materials properly used.

(2 Marks)

QUESTION NINE

Which two of the following costs are not examples of “External failure costs”

- (i) Cost of investigation and analysis of failed units
- (ii) Costs of running a customer service department
- (iii) Product liability costs
- (iv) Cost of production delays

- A (i) and (ii)
- B (ii) and (iii)
- C (i) and (iv)
- D (ii) and (iv)

(2 Marks)

QUESTION 10

Paul Company is a manufacturing business which manufactures sandwich bread in Rwamagana city. Last year the inspection has been made and found 4,000 defective sandwiches. Paul company decided to sell all those defective sandwiches at a second's price of FRW 200 each. The normal sandwich selling price is FRW 300 each. The inspection procedure that identified those defects costs FRW 60,000.

What is the total cost of quality of Paul Company for the last year?

- A FRW 860,000
- B FRW 1,260,000
- C FRW 460,000
- D None of the above

(2 Marks)

SECTION B

QUESTION 11

Mr. Karemera has been recently hired as the Managing Director of KA Engineering company. Karemera has a degree in engineering gotten from Egypt twelve years ago. It is for the first time he engaged himself in the managerial position because for all past twelve years he has been in technical side of the company. One of the pending tasks, is to prepare company's budget for 2023. Karemera has no any idea on budgeting and budgetary systems. Now he approaches you for help and guidance.

Required:

Briefly discuss the following matters to Mr. Karemera:

- a) **Explain at least five possible poor attitudes that managers and employees may show towards the accounting control information.** (5 Marks)
- b) **What are the five functions of the budget committee?** (5 Marks)

(Total: 10 Marks)

QUESTION 12

(a) Using examples, briefly explain the following management accounting terms:

- i. Direct expenses (1 Mark)
- ii. Production overheads (1 Mark)
- iii. Stepped fixed costs (1 Mark)
- iv. Variable costs (1Mark)
- v. Semi-fixed costs (1 Mark)

(b) The following are the costs as incurred by the manufacturing business for the last month.

1. Depreciation of factory machineries
2. Trade discounts given to different customers
3. Protective clothing for factory machine operators
4. Salary of scientist in laboratory
5. Salary of supervisor working in factory
6. Cost of chemicals used in the laboratory
7. Insurance of company premises
8. Salary of secretary of the Director of Finance
9. Commission paid to sales agents
10. Rent of finished goods and showroom

Required:

Classify the following costs in the following cost classifications: production costs, Selling and distribution costs, Administration costs and Research and development costs

(5 Marks)

(Total: 10 Marks)

SECTION C

QUESTION 13

(a) Briefly discuss the four limitation of financial analysis using ratio (4 Marks)

(b) Clinton Manufacturing company is a registered business to operate in Rwanda fifteen years ago. Recently, its finance officer has calculated and presented the following ratios about the company's performance for the year ended December 2022 in the board meeting. Unfortunately, board member could not understand these numbers and what they mean to the company's performance. Industry average ratios are for the year ended December 2022.

S N	Ratio	Clinton Manufacturing Co	Industry average
1	Return on capital employed (ROCE)	40%	45%
2	Debt to equity ratio	80%	40%
3	Current ratio	4:1	2:1
4	Payable payment period	45	52
5	Receivable collection period	60	45
6	Interest cover	1.2 times	10 times
7	Gross profit margin	58%	60%
8	Net profit margin	10%	25%

Required:

Prepare a report appraising the financial performance for the year ended December 2022 of Clinton Manufacturing Company.

(16 Marks)

(Total: 20 Marks)

QUESTION 14

(a) Briefly discuss three main aspects of variances that should be taken into account when deciding whether or not to investigate variance (6 Marks)

(b) Emiliano Co is a manufacturing company operating in Kigali Special Economic Zone. Emiliano Co produce only one product KP. The standard cost information reveals the following: the product KP requires two materials K and P. One unit of KP requires 10 kilograms of K which costs FRW 120 per kilogram and 6 kilogram of material P which costs FRW 50 per kilogram. Each unit of the product KP, requires 5 hours at FRW 80 per hour. The company's budgeted and actual outputs are 750 units and 700 units respectively.

During the month of July 2022, the following costs have actually been incurred:

Direct materials	FRW'000
K: 7,500 Kg	915,000
P: 4,100 Kg	203,000
Direct wages: 3,400 hours	278,800

Note: Emiliano Co, operates under Just in Time system.

Required:

Calculate the following variances:

- i. Material price variance** (3 Marks)
- ii. Material usage variance** (3 Marks)
- iii. Labor rate variance** (3 Marks)
- iv. Labor efficiency variance** (3 Marks)

(c) Differentiate feedback and feedforward in the context of variance analysis. (2 Marks)
(Total: 20 Marks)

QUESTION 15

Nyamuheshera Manufacturing company is a newly established manufacturing company operating in Kigali Special Economic Zone (KSEZ). The following original, revised budgets and actual performance have been extracted from their management's accounts of March 2022. Labour, production and selling & distribution costs are semi-variable costs.

Description	Original budget	Revised budget	Actual
Production and sales	25,000 units	28,000 units	32,000 units
	FRW'000	FRW'000	FRW'000
Sales	150,000	168,000	198,400
Materials	64,000	71,680	103,040
Labour	42,000	45,000	44,600
Production costs	7,200	8,400	9,100
Gross profit	36,800	42,920	41,660
Selling and distribution costs	12,600	14,200	18,600
Operating Profit	24,200	28,720	23,060

Required:

a) Prepare a flexible budget for the month of March 2022 and show variances.

(14 Marks)

b) Briefly discuss any four problems of budget flexing.

(6 Marks)

(Total: 20 Marks)

End of question paper

