

CERTIFIED PUBLIC ACCOUNTANT FOUNDATION LEVEL 2 EXAMINATIONS <u>F2.1: MANAGEMENT ACCOUNTING</u> DATE: WEDNESDAY 23, AUGUST 2023 MARKING GUIDE AND MODEL ANSWERS

PARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023

A CHARAUGUST2023 ICHARAUGUST2023 ICHAR	AUGUST2023 IG PARAU AUGI M Griz gi Parau
ICPARAUGUST2023 ICPARAUGUST202	AUGUST2023 ICPARAU AUGUST2023 ICPARAU
(i) Explanation of cost classification according to ARAUGUST2023 (CPARAUGUST2023 ICPARAUGUST2023 ICPA	AUGUST2023 IC PARAU AUGUST2023 IC PARAU
function UST2023 ICPARAUGUST2023 ICPARAUGUST2003 I	PAUGUST2023 IC PARAU RAUGUST2023 IC PARAU
toparauoust2023 ioparauoust2023 ioparauo	laugust2023 ic parau August2023 <mark>ic</mark> parau
ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023	AUGUST2023 K PARAU AUGUST2023 K PARAU
citing examples in each classification ugust2023 iCPARAUGUST2023 iCPARAUGUST2023 iCPARAUGUST2023 iCPA	AUGUST202310 PARAU AUGUST202 3 10 PARAU
N PARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2003 ICPARAUGUST2003 ICPARAUGUST2003 ICPARAUGUST2003 ICPARAUGUST2003 ICPARAUGUST2003 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023	AUGUST202310 PARAU AUGUST202 6 10 PARAU
(ii) Explaining the term cost driver.	AUGUST2023 IC PARAU AUGUST2023 IC PARAU
Computing total production for product A, B & C 1mark each and 1 mark for the total.	AUGUST2023 ICPARAU AUGUST2022 ICPARAU AUGUST2023 ICPARAU
Maximum ⁷²⁰²³ ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	AUGUST202 5 ICPARAU
(iii) Computing allocation of production overheads to set up and apportioning it	AUGUST2023 ICPARAU AUGUST2023 ICPARAU
Computing allocation of production overheads to stores and apportioning it to particulate A, B & C	AUGUST2023 IC PARAU AUGUST2023 IC PARAU AUGUST2025 IC PARAU
Computing allocation of production overheads to scheduling and apportioning it to products A, B & C	AUGUST2023 ICPARAU AUGUST2023 ICPARAU AUGUST2023 ICPARAU AUGUST2023 ICPARAU
For the total overheads allocated to products A, B & C using ABC system	august2023 koparau August20 2,5 koparau
toparaugust2023	AUGUST2023 K PARAU AUGUST202 .6 10 PARAU
(iv) total production cost for products A, B & C 1mark each 23 ICPARAUGUST 2023 ICPA	AUGUST2023 IC PARAU AUGUST202 3 IC PARAU
leparauouot2023 leparauouot2023 leparauoust2023 leparauoust2023 leparauoust2023 leparauoust2023 lepar Total·marks allocated : ust2023 leparaugust2023 leparaugust2023 leparaugust2023 lepar	20 Marks Parau
I CPARAUGUST2023 I CPAR	AUGUST2023 ICPARAU AUGUST2023 ICPARAU

Model Answer (a) paraugust 202

Classification of cost according to function

In this classification cost are classified according to the function they play in an organization Examples of these costs include:

Production/manufacturing costs Administrative costs

Selling and distribution costs

Classification of cost according to behaviour

In this cost classification the consideration is the cost behaviour. Cost behaviour is the observable increase or decrease in the value cost as a result of change in the level of output Examples of these costs:

Direct/variable cost like direct materials, direct labour and variable production overheads. Fixed costs like rent raugust2023 (paraugust2023) (paraugust2023) (paraugust2023) (paraugust2023)

Semi-fixed costs like electricity, guaranteed minimum wage

Classification of costs according to time

In this cost classification, costs are classified according to time of incurrence Examples of these costs: UST20231CPARAUGUST2031CPARAUGUST2031CPAR

Historical costs are sunk costs or cost of past accounting period like rent, salaries, electricity. Future costs are pre-determined future costs, they will be incurred in the future.

(b)

(i) Cost driver – it is an activity or event that triggers or influences the incurrence of a cost

e.g., machining cost influenced by machine hours.

(ii) Total overheads

Products	UnitsRAUGU	Hours	Total CONTRACT Total CONTRACT	Labour	Total production
23 ICPARAUGUST2 23 ICPARAUGUST2	produced	required	u =(units×hrs.) august2023	rate	overheads (FRW)
23 ICPARAUGUST2 23 ICPARAUGUST2 23 ICPARAUGUST2	023 ICPARAUGI 023 ICPARAUGI 023 ICPARAUGI	I per unit ARA IST2023 ICPARA IST2023 ICPARA	UGUST2023 ICPARAUGUST2023 UGUST2023 ICPARAUGUST2023 UGUST2023 ICPARAUGUST2023	per AUGU PARAUGU hour UGU	ST2023 ICPARAUGUST2023 IC ST2023 ICPARAUGUST2023 IC ST2023 ICPARAUGUST2023 IC
23 ICPARAUGUST2 23 ACPARAUGUST2	40,000	IST2023 ICPARA IST2023 ICPA G A	40,000×6=240,000	icparaugu icpara 10 u	st2023 ICPARA 2,400,000
BCPARAUGUST2	35,000	JST2023 ICPARA JST2023 ICPA R A	35,000×8=280,000	1CPARAUCU ICPARA 10 U	ST2023 ICPARA2,800,000
23 CPARAUGUST2 23 CPARAUGUST2	25,000	1ST2023 ICP 10 A	250,000×10=250,000	icpara 10 u icpara 10 u	2,500,000
Total ^{AUGUST2}	023 ICPARAUGU 023 ICPARAUGU	JST2023 ICPARA JST2023 ICPARA	UGUST2023 ICPARA 770,000 3 UGUST2023 ICPARA 770,000 3	ICPARAUGU ICPARAUGU	5T2023 ICPARA 7,700,000

(iii) Overhead cost distribution

	Overhead	2023 ICPARAUG 2 Cost paraugi	Overhead	u Total 023 icparau	Product A	Product B	Product C
)	23 ICPARAUGUST 23 ICPARAUGUST	driver	absorptio	overhead PARAU	(FRW) CPAR	(FRW)	(FRW)
	23 ICPARAUGUST 23 ICPARAUGUST	2023 ICPARAUG 2023 ICPARAUG	n ²⁰²³ rate	U (FRW) ³ ICPARAU	GUST2023 ICPAR/ GUST2023 ICPAR/	AUGUST2023 ICPA AUGUST2023 ICPA	RAUGUST2023 IC. RAUGUST2023 IC
	23 ICPARAUGUST 23 ICPARAUGUST	2023 ICPARAUGI 2023 ICPARAUGI	(OAR)	UGUST2023 ICPARAU UGUST2023 ICPARAU	GUST2023 ICPAR/ GUST2023 ICPAR/	UGUST2023 ICPA	RAUGUST2023 IC RAUGUST2023 IC
):	Set up cost	No of set	JE1000 ICPARA	0.5×7,700,00	1600×100	1200×100	1050×100
):	23 ICPARAUGUSI	2023 ICPARAUG	JST2023 ICPARA	U O UST2023 ICPARAU	G 0 ST2023 ICPAR/	GUST2023 ICPA	FOUGUST2023 IC
	23 ICPARAUGUST 23 ICPARAUGUST	2023 ICPARAUG 2023 ICPARAUG	JST2023 ICPARA JST2023 ICPARA	=3,850,000	GUST2023 ICPAR/ GUST2023 ICPAR/	UGUST2023 ICP/ NUGUST2023 ICP/	IRAUGUST2023 IC IRAUGUST2023 IC

T2023 ICPARAUGUST2023 ICPARAUG

23 ICPARAUGUS'I	2023 ICPARALIGI	IST2023 ICPARA	UGUST2023 ICPARAU	GUST2023 ICPAR/	AUGUST2023 ICPA	RAUGUST20231
23 ICPARAUGUST	2023 ICPARAUG	JST2023 ICPARA	UGUST2023 ICPARAU	=1,600,00	=1,200,00	=1,050,00
23 ICPARAUGUSI 23 ICPARAUGUSI	2023 ICPARAUG	JST2023 ICPARA	UGUST2023 ICPARAU	GOST2023 ICPAR/	00003120231CPA	F Q UGUST2023 I
Stores	Materials	js 1000 icpara	0.3×7,700,00	1000×100	800×1000	510×1000
23 ICPARAUGUST Cost Raugust	purchased	JST2023 ICPARA JST2023 ICPARA	UGUST2023 ICPARAU U Q UST2023 ICPARAU	$_{\rm GUST2023ICPAR}^{\rm GUST2023ICPAR}$	=800,000	=510,000
23 ICPARAUGUST	2023 ICPARAUG	JST2023 ICPARA	=2,310,000	=1,000,00	UGUST2023 ICPA	RAUGUST2023 I
23 ICPARAUGUSI	2023 ICPARAUG	JST2023 ICPARA	UGUST2023 ICPARAU	000000000000000000000000000000000000	UGUST2023 ICPA	RAUGUST2023 I
schedulin	2No ^{icparadig}	JST2023 ICPARA JS 1000 ICPARA	0.2×7,700.00	700×1000	500×1000	340×1000
23 ICPARAUGUST 23 6 CPARAUGUST	2023 ICPARAUG 2 productio G	JST2023 ICPARA JST2023 ICPARA	UGUST2023 ICPARAU U Q UST2023 ICPARAU	=700.000	=500.000	=340.00031
23 ICPARAUGUSI	2023 ICPARAUGI	JST2023 ICPARA IST2023 ICPARA	=1.540.000 RAU	GUST2023 ICPAR	UGUST2023 ICPA	RAUGUST2023 I
	2023 ICPARAUG	JST2023 ICPARA	7 700 000	3 300 000	2 500 000	1 900 000
23 ICPARAUGUST 23 ICPARAUGUST	2023 ICPARAUG 2023 ICPARAUG	JST2023 ICPARA JST2023 ICPARA	UGUST2023 ICPARAU	GUST2023 ICPAR	UGUST2023 ICPA	RAUGUST2023 I
OVEL NEAU ST	2023 ICPARAUGI 2023 ICPARAUGI	JST2023 ICPARA IST2023 ICPARA	UGUST2023 ICPARAU UGUST2023 ICPARAU	GUST2023 ICPAR/ GUST2023 ICPAR/	UGUST2023 ICPA	RAUGUST2023 I RAUGUST2023 I
SICDAPALICUST	0000 ICDADALICI	ISTODOO ICDADA	LICHST0002 ICDADALI	CUSTOOOSICDAR	UICUST0002 ICDA	DALICUSTOOODI

OAR

Set up cost =3,850,000 =1000 per set up st2023 icparau 3,850 radius 2023 icparau 23 icparau 3,850 radius 2023 icparau 3 Stores cost = 2.310,000 =1000 per material purchased 2023310 RAUGUST2023 ICPARAUGUST2023 ICPARAUG

Scheduling = $\frac{1,540,000}{1,540,000}$ =1000 per production run

23 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST 23 ICPARAUGUST202**1 540** ARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST 24 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST

(iv) Total production cost for each of the product A, B & C 3 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICF 3 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICFARAUGUST2023 ICF

Particulars 12023 ICPARAL	Product A ST2023	Product B PARAUG	Product C
Prime cost	GUST2023 ICPA 1,000,000	ICPARAUGUST202 800,000	600,000 (UST2023 ICPARAU
Production overheads	GUST2023 ICPA13,300,0003	^{CPARAUGUST2} 2,500,000	UST2023 ICPARA 1,900,000
Total production cost	GUST2023 ICPAI4,300,0003	ICPARAUGUST2 3,300,000	UST2023 ICPARA2,500,000

RAUGUST2025 ICPARAUGUST2025 ICPARAUGUST	0512023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUG	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUG	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUG	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUG	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUG	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUG	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	UST2023
RAUGUST20. D.2, I ARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20 L'Age (4) OFU 19 /2023 ICPARAUG	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20	UST2023
DALLATIONA AND A LATIONA AND A LA	I TOMOOOC

QUESTION TWO Marking Guide

3 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 I
Criteria of awarding marks ²³ ICPARAUGUST2023
a) ARAUGUST2023 ICPARAUGUST2023
Explanation of job costing T2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST202 2^{10}
Explanation of batch costing 23 icparaugust2023 icparaugust2023 icparaugust2023 icparaugust2023 icparaugust202 2 icpar
istic Paraugust2023 icparaugust2023 icparaugust2023 icparaugust2023 icparaugust2023 icparaugust2023 icp Maximum Marksaraugust2023 icparaugust2023 icparaugust2023 icparaugust2023 icparaugust2023 icparaugust2023
13 ICPARAUGUST2023
Production cost per batch computed and is transported and is transport
Cost of sales per batch computed
Selling price per batch computed paraugust2023 iCparaugust2023 iCparaugust203 iCparaugust2023 iCparaugust2023 iCparaugust2023 iCparaugust2023
Selling price per unit computed ^{ICPARAUGUST2023} ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023
E CEPARIO FILSIO FISIO FIXALIOUTIZIO TI CPARALIGUST2023 I CPARALIGUST2023 I CPARALIGUST2023 I CPARALIGUST2027 I E Maximum Marks araugust2023 I CPARAUguSt2023 I CPARAUguSt2023 I CPARAUguSt2023 I CPARAUguSt2023 I CPARAUguSt2027
10 PARAUGUST2023 (CPARAUGUST2023 ICPARAUGUST2023 I
TO PARAUQUST2023 IC PARAUQUST203 IC PARAUUST203 IC PARAUQUST2
Total production cost computed
Total indirect overhead cost
ET OLAI III. III. III. III. III. III. III. I
1 OIAI SAIES FEVENUE RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2024 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST
1 OTAL PROMU REALIZED AND A LOSS CONTRACTOR OF
1 Otal marks allocated 20 Marks

Model Answers

(a) Job costing and batch costing

Job costing

it is a costing method which is used to determine the costs and revenue attributable to a given job or assignment. The method is ideal where the company does manufacture variety of products and in this case each product is viewed as a job and therefore analysis is done of cost incurred as well as revenues generated by each job.

Batch costing

It is a type costing approach in which cost are accumulated and attributed to a particular batch of products. The batch here refers to a group of homogeneous/identical units produced together and passes through all the stages of production together e.g., 50kgs bag of sugar.

(b)

CFARAUGUS I 2023 ICFARAUGUS I 2023 ICFARAUGUS I 2023 ICFARAUGUS I 20	23 ICFARAUGU
Production cost per batch	23 ICPARAUGU
Cost element 023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST2	int (FRW)
Direct material cost per batch023 ICPARAUGUST2023 ICPARAUGUST1	0,000,000
23 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20 Direct labour cost per batch 2023 ICPARAUGUST2023 ICPARAUGUST20	6,000,000
Production overheads: department A (1000×1000)	1,000,000
Production overheads: department B (2000×500)	1,000,000
Production overheads: department C (3000×300)	<u>900,000</u>
23 ICPARALIGUST2023 ICPARALIGUST2023 ICPARALIGUST2023 ICPARALIGUST20	ORICPARALIGUE

ST20: F2:1 araugust2023 iCparaugust2023 iCpar

Total production cost per batch PARAUGUST	12023 ICPARAUGUST 18,900,000 UST2023 ICPARAUGUST2023 ICPARAUGUS
Cost of sales per batch gust2023 iCPARAUGUST	IZUZ3 ICPARAUGUST2023 ICPA RAUG UST2023 ICPARAUGUST2023 ICPARAUGUS IZ023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
23 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST Cost element023 ICPARAUGUST2023 ICPARAUGUST	12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGU Amount (FRW) 12023 ICPARAUGUST2023 ICPARAUGUS
Production cost per batch ust2023 ICPARAUGUST	12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
Selling and administration cost	r2023 ICPARAUGUST20211,100,000 IST2023 ICPARAUGUST2023 ICPARAUGUS r2023 ICPARAUGUST2021,1100,000 IST2023 ICPARAUGUST2023 ICPARAUGUS
Total cost of sales per batch ⁰²³ ICPARAUGUST 2020 CPARAUGUST 2023 ICPARAUGUST 2023 ICPARAUGUST	12023 ICPARAUGUST20220,000,000 12023 ICPARAUGUST202 3 ICPARAUGUS T2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
23 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST Seling price per batch igust2023 icparaugust	12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
Cost of sales per batch ugust 2023 ICPARAUGUST	20,000,000 GUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
Profit charged 20/80(20,000,000)	r2(5,000,000 GUST2023)CPARAUGUST2023)CPARAUGUST2023)CPARAUGUS r2(5,000,000 GUST2023)CPARAUGUST2023)CPARAUGUST2023)CPARAUGUS
Selling price per batch GUST2023 ICPARAUGUS 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST	L <mark>25,000,000</mark> GUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 2525 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
Selling price per unit = <u>selling price p</u>	12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 1 CP batch RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
23 ICPARAUGUST2023 ICPARAUG TOtal number of u	nits in a batch ST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
23 ICPARAUGUST2023 ICPARAUGUST2023 25,000,000	2023 ICPARAUGUST 2023 I
z3 icparaugust2023 icparaugust2023 ic 10,000 ^{JS1} 23 icparaugust2023 icparaugust2023 ic 10,000 JS1	12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
FRW 2,500 per unit RAUGUST2023 ICPARAUGUST	12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
(C)CPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST	ľ2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS ľ2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
Total prime cost for job JJJ023 (CPARAUGUS)	12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
Direct material cost (20,000×10,000)	[2023] 200,000,000)23 [CPARAUGUST2023 [CPARAUGUST2023 [CPARAUGUST2023]] [2023] [CPARAUGUST2023 [CPARAUGUST2023 [CPARAUGUST2023]]
Direct labour cost (25,000×10,000)	250,000,000 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
Total prime cost CPARAUGUS 12023 ICPARAUGUS 1 23 ICPARAUGUS 12023 ICPARAUGUS 12023 ICPARAUGUS 1 23 ICPARAUGUS 12023 ICPARAUGUS 12023 ICPARAUGUS 1	12023 ICPARAUGUS 12023 ICPARAUGUS 12023 ICPARAUGUS 12023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
Total production cost for job JJJ CPARAUGUST	12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
Prime cost for job JJJ August 2023 ICPARAUGUST	12023 1 450,000,000 23 icparaugust2023 icparaugust2023 icparaugus 12023 icparaugust2023 icparaugust2023 icparaugust2023 icparaugust2023 icparaugust2023 icparaugust2023 icparaugus
Production overheads 20/100 (450,000,000)) 2023 1 <u>90,000,000</u> 2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
Total production cost for job JJJ ARAUGUST 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST	12023 IC <mark>540,000,000</mark> 3 ICPARAUGUS 12023 ICPARAUGUS 12023 ICPARAUGUS 12023 IC <mark>540,000,000</mark> 3 ICPARAUGUS 12023 ICPARAUGUS 12023 ICPARAUGUS 12023 ICPARAUGUS 12023 ICPARAUGUS 12023 ICPARAUGUS 12023 ICPARAUGUS
Total non-manufacturing overhead	[2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS [2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS [2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
23 ICPARAUGUST2023 ICPARAUGUS' 25%i (540,000,0 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST	000) = 135,000,000 icparaugust2023 icparaugust2023 icparaugus 12023 icparaugust2023 icparaugust2023 icparaugust2023 icparaugus 12023 icparaugust2023 icparaugust2023 icparaugust2023 icparaugus
Total sales revenue for job JJJ cparaugus	12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
Total production cost	12023 IC 540,000,000 12023 IC PARAUGUST 2023 IC PARAUGUST 2023 IC PARAUGUS
Non-manufacturing overhead	$\frac{133,000,000}{12023}$
Cost of sales for job JJJ	I2023 ICFARAUGUST2023 ICFARAUGUST2
Total sales revenue for job JJJ	12023 ICP <u>168,759,000</u> ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICP <mark>843,759,000</mark> ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
23 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST TOFAR DEOFIT PERIODE FOR INFORMATIC PARAUGUST	12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
Profit margin is 20%	12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
This is based on the selling price; however,	it has to be converted to the profit mark up that can CPARAUGUS (2023) CPARAUGUST 2023 (CPARAUGUST 2023) CPARAUGUS
be calculated on the cost of sales for job JJJ	12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS
This is done as follows; deduct the numerat	or from the denominator as follows (CPARAUGUST2023) (CPARAUGUS
20/100 = 20/(100-20) = 20/80 = 20/80	0(675,000,000) = 168,750,000 st2023 iCPARAUGUST2023 iCPARAU
23 ICPARAUGUST 2023 ICPARAUGUST 2023 ICPARAUGUST 23 ICPARAUGUST 2023 ICPARAUGUST 2023 ICPARAUGUST 23 ICPARAUGUST 2023 ICPARAUGUST 2023 ICPARAUGUST	r2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUS 12023 ICPARAUGUST2023 ICPARAUGUST2003 ICPARAUGUST2003 ICPARAUGUST2003 ICPARAUGUST2003 ICPARA

QUESTION THREE

Marking Guide

Criteria of awarding marks ₂₃ icparaugust2023	MARKS
PARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 I	RAUGUST2023 I RAUGUST2023 I
Explanation of service costing ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 I	RAUGUST2022
(b) ARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST202	RAUGUST2023 I
2merits (1mark for stating,1mark for explaining) PARAUGUST2023 ICPARAUGUST2023 ICPA	RAUGUST2024
2demerits (1mark for stating, 1mark for explaining) AUGUST2023 ICPARAUGUST2023 ICPA	RAUGUST2023 I
IS TCPARAUGUST 2023 TCPARAUGUST 2023 TCPARAUGUST 2023 TCPARAUGUST 2023 TCPARAUGUST 2023 TCPARAUGUST 2023 TCPA IS TCPARAUGUST 2023 TCPARAUGUST 2023 TCPARAUGUST 2023 TCPARAUGUST 2023 TCPARAUGUST 2023 TCPARAUGUST 2023 TCPARAUG	RAUGUST20231 RAUGUST20231
n papaugust2023 icparaugust2023 icpara	RAUGUST2023 RAUGUST202 8 1
ARAUGUST2023 ICPARAUGUST2023 ICPAR	RAUGUST2023 I RAUGUST2023 I
Total cost for replacement of tires ARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST203	RAUGUST202 2^{1}
Total fueling cost PARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	RAUGUST2022
Total annual depreciation charges ARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	RAUGUST2022
Total servicing cost RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	RAUGUST202 2
Annual total operating cost 2023 ICPARAUGUST 2023 ICPARAUGUST 2023 ICPARAUGUST 2023 ICPARAUGUST 2023 ICPA	RAUGUST20231
Total marks allocated just 2023 icparaugust 2023 icparaugus	20 Marks

Model Answer

(a)

Service costing

It is costing method or cost accounting approach that is used by service industry entities like transport, communication among others. This costing approach is ideal for service industry since entities in this sector don't manufacture tangible products(goods) but rather offer intangible products (services). In manufacturing entities, we have cost of manufacturing/production while in service industries we have the cost-of-service delivery.

(b) Merits and demerits of service costing

Merits of service costing

(i) Determination of cost per service unit.

This costing method helps businesses to find out the cost per unit for their services.

(ii) Evaluation of variable, mixed and fixed costs.

This costing methods enables users to do cost analysis and ascertain which ones are variable, mixed and fixed for easy management of costs.

(iii) For performance evaluation of service units

It is possible for users of service costing to assess performance of every service unit and make improvements where performance isn't good.

23 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 I (iv) PFair pricing ICPARAUGUST2023 ICPARAUGUST2023 I

Service costs helps users to determine fair pricing so as to attract clients and/or retain those clients already on board.

2. LARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST20

23 ICPARAUGUS I 2023 ICPARAUGUS I 2023 ICPA 23 ICPARAUGUS I 2023 ICPA (i) Valuation difficulties	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023	3 ICPARAUGUST2023 ICPARAUGUST 2 ICPARAUGUST2023 ICPARAUGUST
Unlike manufacturing, in service cos	ting it is difficult to valuation of a service	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
(ii) Difficult in foresting costs.	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
It is not easy to predetermine the fur	ure operating costs since there are dynan	nics in the service paraugust
industry which it nearly impossible i	for such to be done. UST2023 (CPARAUGUST202) RAUGUST2023 (CPARAUGUST2023) (CPARAUGUST202)	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST 2 ICPARAUGUST2023 ICPARAUGUST
23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2022 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2022	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
Total cost of tires replacement ICPA 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
INUMBER OF KMS COVERED DURING THE Y 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	(Carilou, OUO) CPARAUGUST2023 (CPARAUGUST202) RAUGUST2023 (CPARAUGUST2023 (CPARAUGUST202) RAUGUST2023 (CPARAUGUST2023 (CPARAUGUST202)	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
Number of times replacement was do	DRC <u>100,000</u> CPARAUGUST2023 ICPARAUGUST2022 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2022	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	RAUG1002000CPARAUGUST2023 ICPARAUGUST2023 RAUGUS12023 ICPARAUGUST2023 ICPARAUGUST2023	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
Replacement of tires was done once	@ 80,000 per tire×10tires = FRW 800,00	OCPARAUGUS 12023 ICPARAUGUS 1 OCPARAUGUS 12023 ICPARAUGUS 1 3 ICPARAUGUS 12023 ICPARAUGUS 1
23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA Total fueling cost paraugust2023 ICPA	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
Number of kms covered during the y	raugus12023 icparaugus12023 icparaugus12023 raugus12023 icparaugus12023 icparaugus12023 °car 1 00,000 cparaugus12023 icparaugus12023	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA Number of liters consumed =100.00	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 0^{2}	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
23 ICPARAUGUST2023 ICPARAUGUST2 023 ICPA 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA 23 ICPARAUGUST2023 ICPARAUGUST2023 IC I A	RAUG UST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 AUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
23 ICPARAUGUST2023 ICPARAUGUST 220,000 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA 22 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	HUTESAFK W 12,000 PEF HUEB ICPARAUGUST202; RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST202; RANCUST2023 ICPARAUGUST2023 ICPARAUGUST202;	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
Total fueling cost paraugust = FRW 23 icparaugust 2023 icparaugust 2023 icpa	40,000,000 icparaugust2023 icparaugust2023 raugust2023 icparaugust2023 icparaugust2023	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
Annual depreciation charges	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2022 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2022 PAUGUST2022 ICPARAUGUST2022 ICPARAUGUST2022	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
Asset cost-salvage value UST2023 ICPA	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2022	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
Asset useful life (years) GUST2023 ICPA	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2022 ICPARAUGUST2022 ICPARAUGUST2022	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
$= \underline{150,000,000-25,000,000}$	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST202 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST202 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST202:	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA 23 ICPARAU 10 years ICPARAUGUST2023 ICPA	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA Total annual depreciation charges	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 =FRW212.500.000 UST2023 ICPARAUGUST2023	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA Total servicing cost as ugust2023 ICPA	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
22 OCHASOLS COMENCAUGUST 2023 ICPA 23 ICPARAUGUST 2023 ICPARAUGUST 2023 ICPA RTICPARAUGUST 2023 ICPARAUGUST 2023 ICPA	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUTARAUGUST2023 ICPARAUGUST2023	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
1Number of Kms covered during the 5 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	GAU G USY.9999 CPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
Number of times servicing was done	K	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	RAU $20;000$ 3 ICPARAUGUST2023 ICPARAUGUST202; RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST202;	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
Total servicing cost = 5×50,000= F	RAUGUST2023 (PARAUGUST2023 ICPARAUGUST2023 RW 250,000 paraugust2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
Total annual operating cost 023 ICPA	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST
23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA Tires replacement $cost = UST2023$ ICPA	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUG <mark>8002000</mark> CPARAUGUST2023 RAUGUST2022 ICPARAUGUST2022 ICPARAUGUST2023	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST 2 ICPARAUGUST2022 ICPARAUGUST
23 ICPARAUGUST2023 ICPARAUGUST2023 ICPA Total fueling cost ⇒ ARAUGUST2023 ICPA	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPAR 40,000,000 CPARAUGUST2023	3 ICPARAUGUST 2023 ICPARAUGUST 3 ICPARAUGUST 2023 ICPARAUGUST 3 ICPARAUGUST 2023 ICPARAUGUST
23 ICPARAUGUST 2023 ICPARAUGUST 2023 ICPA 23 ICPARAUGUST 2023 ICPARAUGUST 2023 ICPA	RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023	3 ICPARAUGUST2023 ICPARAUGUST 3 ICPARAUGUST2023 ICPARAUGUST

otal servicing costs≡august2023 (CPARAUG	JUST2023 ICPARAUGUST2023 ICPARAUGUST2 JUST2023 ICPARAUGUST2023 ICPARAUGUST2 JUST2023 ICPARAUG 250,000 (PARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST203	2023 ICPARAUGUST2023 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUG
BICPARAUGUST2023 ICPARAUGUST2023 ICPARAUG ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023	UST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST 2023 ICPARAUG 2023 ICPARAUGUST 2023 ICPARAUG 2023 ICPARAUGUST 2023 ICPARAUG
BICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUG	↑1422499,9999) (1 ,899,999) paraugust2 39972023 icparaugust2023 icparaugust2	2023 ICPARAUGUST2023 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUG
Cotal annual operating cost	GUST2023 ICPARA 58,350,000 PARAUGUST2 GUST2023 ICPARA SUST2023 ICPARAUGUST2023 ICPARAUGUST2003 ICPARAUGUST2003	2023 ICPARAUGUST2023 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUG
3 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUG 3 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUG 3 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUG	GUST2023 ICPARAUGUST2023 ICPARAUGUST2 GUST2023 ICPARAUGUST2023 ICPARAUGUST2 GUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST 2023 ICPARAUG 2023 ICPARAUGUST 2023 ICPARAUG 2023 ICPARAUGUST 2023 ICPARAUG
CEPARALICUST2022 ICPARAUGUST2023 ICPARAUG QUESTION FOUR RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2003 ICPARAUGUST2023 ICPARAUGUST20	GUST2023 ICPARAUGUST2023 ICPARAUGUST2 GUST2023 ICPARAUGUST2023 ICPARAUGUST2 SUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST2023 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUG
Arking Guide ICPARAUGUST2023 ICPARAUC	GUST2023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST202	2023 ICPARAUGUST2023 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUG
Criteria of awarding marks	GUST2023 ICPARAUGUST2023 ICPARAUGUST2 GUST2023 ICPARAUGUST2023 ICPARAUGUST2 GUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST 2023 ICPARAUG 2023 ICPARAU MARKS (PARAUG 2023 ICPARAUMARKS) PARAUG
(a) ARAUGUST2023 ICPARAUGUST2023 ICPARAUG ARAUGUST2023 ICPARAUGUST2023 ICPARAUG	JUST2023 ICPARAUGUST2023 ICPARAUGUST2 JUST2023 ICPARAUGUST2023 ICPARAUGUST	2023 ICPARAUGUST2023 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUG
Valuation of closing stock using PARAUC	3UST2023 ICPARAUGUST2023 ICPARAUGUST2003 ICPAR	2023 ICPARAUGUST2023 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUGU
FIFOAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2020 ICPARAUGUST2020 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 I	3UST2023 ICPARAUGUST2023 ICPARAUGUST2033 ICPARAUGUST203	2023 ICPARAUGUST202.210 PARAUG 2023 ICPARAUGUST2023 IOPARAUGU
LIFO AUGUST2023 ICPARAUGUST2023 ICPARAUG	JUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST202 2 ICPARAUGUST2022 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGU
WAPM GUST2023 ICPARAUGUST2023 ICPARAUG	GUST2023 ICPARAUGUST2023 ICPARAUGUST2000 ICPARAUGUST2000 ICPARAUGUST2000 ICPARAUGUST2000 ICPARAUGUST2000000000000000000000000000000000000	2023 ICPARAUGUST202 2 10 PARAUGU
Maximum 12023 ICPARAUGUST2023 ICPARAUG	GUST2023 ICPARAUGUST2023 ICPARAUGUST2003 ICPAR	2023 ICPARAUGUST2026 PARAUG
(b) ARAUGUST2023 ICPARAUGUST2023 ICPARAUG	FUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST 2023 I
Explanation of ICPARAUGUST2023 ICPARAUG	SUST2023 ICPARAUGUST2023 ICPARAUGUST2 SUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST 2023 ICPARAUG 2023 ICPARAUGUST 2023 ICPARAUG
EOQ model 2023 ICPARAUGUST 2023 ICPARAUG	SUST2023 ICPARAUGUST2023 ICPARAUGUST2 SUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST 2022 ICPARAUG
JIT / technique 23 ICPARAUGUST 2023 ICPA	JUST2023 ICPARAUGUST2023 ICPARAUGUST2 SUST2022 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST2023 ICPARAUG
Maximum ¹²⁰²³ ICPARAUGUS12023 ICPARAUG UCPARAUGUS12023 ICPARAUGUS12023 ICPARAUG	GUST2023 ICPARAUGUST2023 ICPARAUGUST2 IUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023	2023 ICPARAUGUST202 4 (PARAUG) 2023 ICPARAUGUST2023 ICPARAUG)
(C)PARAUGUST2023 ICPARAUGUST2023 ICPARAUG ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUG	FUST2023 ICPARAUGUST2023 ICPARAUGUST2 FUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST2023 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUGI
	GUST2023 ICPARAUGUST2023 ICPARAUGUST2 GUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST2023 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUG
Correct values ingure Raugust 2023 (CPARAUC	JUST2023 ICPARAUGUST2023 ICPARAUGUST2 JUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST2023 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUG
Correct valuation of production cost	GUST2023 ICPARAUGUST2023 ICPARAUGUST2 HUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPA RAUGUST2023 ICPARAUG 2023 ICPA RAUGUST2023 ICPARAUG
Correct valuation of closing stock	GUST2023 ICPARAUGUST2023 ICPARAUGUST GUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST2023 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUG
Correct value of gross contribution	HIST2023 ICPARAUGUST2023 ICPARAUGUST JUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST2023 IC PARAUG 2023 ICPARAUGUST2023 IC PARAUG
Maximum ²⁰²³ ICPARAUGUST2023 ICPARAUG	GUST2023 ICPARALIGUST2023 ICPARAUGUST GUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARALIGUST2023 ICPARAUG 2023 ICPARAUGUST202 S ICPARAUG
Absorption costing RAUGUST2023 ICPARAUG	SUST2023 ICPARAUGUST2023 ICPARAUGUST GUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST2023 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUG
Correct sales figure raugust 2023 ic Parauc	JUST2023 ICPARAUGUST2023 ICPARAUGUST JUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST2023 IC 2023 ICPARAUGUST2023 ICPARAUG
Correct valuation of opening stock	JUST2023 ICPARAUGUST2023 ICPARAUGUST JUST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST 2023 IC PARAUG 2023 ICPARAUGUST 2023 IC PARAUG
Correct valuation of production cost	GUST2023 ICPARAUGUST2023 ICPARAUGUST 3UST2023 ICPARAUGUST2023 ICPARAUGUST2	2023 ICPARAUGUST2023 IC PARAUG 2023 ICPARAUGUST2023 IC PARAUG
Correct valuation of closing stock	SUST2023 ICPARAUGUST2023 ICPARAUGUST SUST2023 ICPARAUGUST2023 ICPARAUGUST2033 ICPARAUGUST203 ICPARAUGUST20	2023 ICPARAUGUST2022 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUG
Correct value of gross contribution	UST2023 ICPARAUGUST2023 ICPARAUGUST SUST2023 ICPARAUGUST2023 ICPARAUGUST2033 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2033 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2033 ICPARAUGUST2033 ICPARAUGUST2033 ICPARAUGUST2033 ICPARAUGUST203 ICPARAUGUST2033 ICPARAUGUST20	2023 ICPARAUGUST2023 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUGU
Maximum ¹²⁰²³ ICPARAUGUST2023 ICPARAUG	GUST2023 ICPARAUGUST2023 ICPARAUGUST SUST2023 ICPARAUGUST2023 ICPARAUGUST	2023 ICPARAUGUST2023 ICPARAUG 2023 ICPARAUGUST2023 ICPARAUGU
S ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUI	ALIGTO OCO LODA DALIGUOTO OCO LODA DALIGUOTO	2023 ICPARA ONNI APLAI (PARAUG

ICPARAUGUST 2023 ICPARA

Model Answers

(a)CPARAUGU

Valuation of closing inventory using first in first out (FIFO) method

Dates	Receipts/purchases			Issues/sale			Stock balances	
Dec	Quantity	price	Amount	Quantity	Price	Amount	Quantity	Amount
2022	UST2023 ICP/	RAUGUS	2023 ICPARAU	UST2023 ICP	RAUGUS	2023 ICPARAU	UST2023 ICPA	RAUGUST2023 I
23] ISTPARAU	UST2023 ICP/	RAUGUS	2023 ICPARAU	UST2023 ICP	RAUGUS	2023 ICPARAUC	0.20,000	4,000,000
6 th PARAU	UST2 5000	RA 300 5	1,500,000	UST2023 ICP	ARAUGUS	2023 ICPARAUC	us 25,000	5,500,000
2315 th ARAU	15,000	RA400	6,000,000	UST2023 ICP/ UST2023 ICP/	ARAUGUS'	2023 ICPARAUC 2023 ICPARAUC	40,000	11,500,000
$29^{\text{th}_{\text{RAU}}}$	CUST2023 ICP/ CUST2023 ICP/	RAUGUS	2023 ICPARAUG 2023 ICPARAUG	20,000	200	4,000,000	20,000	7,500,000
23 ICPARAU 23 ICPARAU	UST2023 ICP/	RAUGUS'	2023 ICPARAU	5000	300	1,500,000	15,000	6,000,000
23 ICPARAU	UST2023 ICP/	RAUGUS'	2023 ICPARAU	10,000	RA 400	4,000,000	5,000	2,000,000

Closing stock = 5000units @ 400 = 2,000,000

Valuation of closing inventory using last in first out (LIFO) method

Dates	Receipts/purchases			Issues/sale august2023 icparauc			Stock balances T202310	
DecRAUC	Quantity	price	Amount	Quantity	Price	Amount	Quantity	Amount
2022	UST2023 ICPA UST2023 ICPA	RAUGUS' RAUGUS'	2023 ICPARAUC 2023 ICPARAUC	UST2023 ICPA UST2023 ICPA	RAUGUS'	2023 ICPARAUC 2023 ICPARAUC	UST2023 ICPA UST2023 ICPA	RAUGUST2023 IO RAUGUST2023 IO
23 <mark>1</mark> stPARAUG	UST2023 ICPA	RAUGUS'	2023 ICPARAUC	UST2023 ICP/	RAUGUS'	2023 ICPARAUC	20,000	4,000,000
6 th PARAUC	UST2 5000	300	1,500,000	UST2023 ICP	RAUGUS	2023 ICPARAUC	25,000	5,500,000
2315 th ARAUC	15,000	400	6,000,000	UST2023 ICP	RAUGUST	2023 ICPARALIC	40,000	11,500,000
29 th rauc	UST2023 ICPA	RAUGUS	2023 ICPARAUC	us15,000	RA 400	6,000,000	us 25,000	RA5,500,000
23 ICPARAUG 23 ICPARAUG	UST2023 ICPA UST2023 IC P A	RAUGUS' RAUGUS'	2023 ICPARAUC 2023 ICPARA U C	5000	RA 300	1,500,000	20,000	4,000,000
23 ICPARAUC 23 ICPARAUC	UST2023 ICPA UST2023 ICPA	RAUGUS' RAUGUS'	2023 ICPARAUC 2023 ICPARAUC	15,000	RA 200	3,000,000	5,000	2,000,000

Closing stock = 5000units @ 200 = 1,000,000

Valuation of closing stock using weighted average price method

Dates	Receipts/purchases 23 ICPARA			Issues/salearaugust2023 icparau			Stock balances ST202310	
Dec	Quantity	price	S Amount ara ST2023 ICPARA	Quantity	P Price U PARAUGU	SAmount RAUG	Quantity	Amount 023 10 RAUGUST2023 10
2022 1 st	JGUST2023 IC IGUST2023 IC JGUST2023 IC	PARAUGU Paraugu Paraugu	ST2023 ICPARA ST2023 ICPARA ST2023 ICPARA	JGUST2023 IC JGUST2023 IC JGUST2023 IC	PARAUGU Paraugu Paraugu	ST2023 ICPARAU ST2023 ICPARAU ST2023 ICPARAU	20,000	4,000,000
6 ^{thPARAU}	GUST5000	300	1,500,000	UGUST2023 IC UGUST2023 IC	PARAUGU PARAUGU	ST2023 ICPARAU ST2023 ICPARAU	25,000	5,500,000
2315thARAU	15,000	PAR400	6,000,000	JGUST2023 <u>I</u> C JGUST2023IC	PARAUGU PARAUGU	ST2023 ICPARAU ST2023 ICPARAU	40,000	11,500,000
29thARAU	IGUST2023 <u>IC</u> IGUST2023 IC	PARAU <u>g</u> u Paraugi	ST2023 ICPARA ST2023 ICPARA	35,000	287.5	10,062,500	^{UST} 5,000	1,437,500

40.000

Weighted average price = $\underline{11,500,000}$

ARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICI ARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICI

Weighted average price = FRW 287.50

Closing stock 5000units valued at FRW 1,437,500

RAUGUST2023 ICPARAUGUST2023 IC

Economic order quantity (EOQ)model.

Is the order quantity that minimizes the total stock holding and ordering costs in inventory management. It is an ideal order quantity that a company should purchase to minimize all inventory associated costs of holding and ordering.

Just In Time (JIT) technique

It is an inventory management system of having the exact quantity of raw materials that will be assembled to produce/manufacture goods that are on order. The system doesn't allow keeping of stock items of raw materials as well as that of finished and consumer goods. The aim is to reduce od costs of holding inventories at the warehouse.

(c)

Standard cost card for production

Cost elements 3 ICPARAUGUST2	Marginal costing approach	Absorption costing approach
Direct material cost per unit	123 ICPARAUGUST2023 ICPARAU 250 2 23 ICPARAUGUST2023 ICPARAU 250 2	123 ICPARAUGUST2023 ICPARAUGUS 250 123 ICPARAUGUST2023 ICPARAUGUST202
Direct labour cost per unit	123 ICPARAUGUST2023 ICPARAUG 150^{20}	23 ICPARAUGUST2023 ICPARAUGUS 150
Variable production ohs)23 ICPARAUGUST2023 ICPARAUGUST20)23 ICPARAUGUST2023 ICPARAUG 200 2	123 ICPARAUGUST 2023 ICPARAUGUST 202 123 ICPARAUGUST 2023 ICPARAUGUS 200
Fixed production overheads	023 ICPARAUGUST2023 ICPARAUGUST20 023 ICPARAUGUST2023 ICPARAUGUS <mark>7</mark> 20	123 ICPARAUGUST2023 ICPARAUGUST202 123 ICPARAUGUST2023 ICPARAUGUS 100 2
Total production cost per	223 1CPARAUGUST 2023 1CPARAUGUST 20 123 1CPARAUGUST 2023 1CPARAUC 600 20	23 ICPARAUGUST2023 ICPARAUGUS 700 .
3 ICPARAUGUST2023 ICPARAUGUST2 3 UNITRAUGUST2023 ICPARAUGUST2	023 ICPARAUGUST2023 ICPARAUGUST20 023 ICPARAUGUST2023 ICPARAUGUST20	23 ICPARAUGUST2023 ICPARAUGUST202 23 ICPARAUGUST2023 ICPARAUGUST202

Gross contribution margin using marginal costing approach

Cost of goods produced and sold	ST2023 ICPARAUGUST20 ST2023 ICPARAUGUST20
Opening inventory (3000×600)	1,800,000
Production cost (27,000×600)	16,200,000
Closing inventory (3000+27000-25,000) ×	600 <u>(3,000,000)</u>
23 ICPARAUGUST 2023 ICPARAUGUST 2023 ICPARAUGUS Cost of goods produced and sold CPARAUGUS 23 ICPARAUGUST 2023 ICPARAUGUST 202	5T20231CPARAUGUST20 5T202 15,000,000 T20 5T20231CPARAUGUST20
Profit charged 20/80(15,000,000)	T2023 <u>3,750,000</u> 20
Sales revenue as per marginal costing	1202 <u>18,750,000</u> 120
Gross profit margin using absorption co	sting approach
Cost of goods produced and sold cparaugus 2010 Cost of goods produced and sold cparaugus 2010 Cparaugus 12023 (Cparaugus 12023) (Cparaugus	ST2023 ICPARAUGUST20 ST2023 ICPARAUGUST20 ST2023 ICPARAUGUST20
Opening inventory (3000×700)	2,100,000
Production cost (27,000×700)	18,900,000
Closing inventory (3000+27000-25,000) ×	700 <u>(3,500,000)</u>
Cost of goods produced and sold	17,500,000

23 ICPARAUGUST2023 ICPARAUGUST

(b)

Profit charged 20/80(17,500,000)

4,375,000 21,875,000

Sales revenue as per marginal costing 23 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 I QUESTION FINE ARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST202

3 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPA Marking Guide ICPARAUGUST2023 ICPARAUGUST203 ICP	RAUGUST2023 RAUGUST2023 RAUGUST2023
Criteria of awarding marks ²³ ICPARAUGUST2023 ICPARAUGUST2033	MARKS
s (CPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2	RAUGUST2023 RAUGUST2023
Calculation of contribution margin RAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	RAUGUST2023 RAUGUST2023
Break-even point, in units 2Marks and 1Mark in value	RAUGUST2023 RAUGUST2023
Margin of safety in units 2 Marks and in value 1Mark	RAUGUST2023
Sales level to achieve profit target ARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	RAUGUST2023
Marks Igust 2023 ICPARAUGUST 2023 ICPARAUGUST 2023 ICPARAUGUST 2023 ICPARAUGUST 2023 ICPARAUGUST 2023 ICPA	RAUGUST201
(b) ARAUGUS 12023 ICPARAUGUS 1203 ICPARAUGUS 1203 ICPARAUGUS 1203 ICPARAUGUS 1203 ICPARAUGU	RAUGUST2023
Make or buy decision 0.5mark for stating and 0.5 Marks for explaining st2023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST203 ICPARAUGUST203 ICPARAUGUST203 ICPARAUGUST203 ICPARAUGUST203 ICPARAU	RAUGUST2023 RAUGUST2023 RAUGUST2023 RAUGUST2023
Accept or reject special order price 0.5 Marks for stating and 0.5 Marks for explaining (maximum 3 Marks)	RAUGUST2023 RAUGUST2023 RAUGUST2023 RAUGUST2023
Optimal production mix 0.5 Marks for stating and 0.5 Marks for explaining (maximum 2 Marks)	RAUGUST2023 RAUGUST2023 RAUGUST2023 RAUGUST2023
Drop or retain decisions 0.5 Marks for stating and 0.5 Marks for explaining (maximum 2 Marks)	RAUGUST2023 RAUGUST2023 RAUGUST2023
ATE PARAUGUST2023 IC PARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPA IS Total marks allocated 3UST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	20 Mark

(a) Total contribution margin. Contribution margin = sales-variable costs Sales revenue (8,000×10,000) = 80,000,000 Variable costs Direct material cost (25,000×1,000) 25,000,000 Direct labour cost skilled (50,000×500) 25,000,000 Direct labour cost skilled (50,000×500) 9,000,000 Variable production overheads (22,000×500) 11,000,000 Total contribution margin 10,000,000 Breakeven point in units and in value Breakeven point = total fixed costs Contribution per unit Contribution per unit Contribution per unit 10,000,000 (total contribution 10,000 (production units)	1110100012	0201011111000012020101111100001202010111110000012020101111100000120201011111000001202010111110000012020101
(a) Total contribution margin. Contribution margin = sales-variable costs Sales revenue (8,000×10,000) = 80,000,000 Variable costs Direct material cost (25,000×1,000) 25,000,000 Direct labour cost skilled (50,000×500) 25,000,000 Direct labour cost skilled (50,000×500) 25,000,000 Direct labour cost semi-s (30,000×300) 9,000,000 Variable production overheads (22,000×500) 11,000,000 Total variable costs (70.000,000) Total contribution margin 10,000,000 Breakeven point in units and in value Breakeven point in units and in value Breakeven point = total fixed costs Contribution per unit Contribution per unit 10,000 (production units) F2.1 Page 12 of 19	PARAUGUST2	023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 I
(a) Total contribution margin. Contribution margin = sales-variable costs Sales revenue (8,000×10,000) = 80,000,000 Variable costs Direct material cost (25,000×1,000) 25,000,000 Direct labour cost skilled (50,000×500) 25,000,000 Direct labour cost skilled (50,000×500) 25,000,000 Direct labour cost semi-s (30,000×300) 9,000,000 Variable production overheads (22,000×500) 11,000,000 Total contribution margin 10,000,000 Breakeven point in units and in value Breakeven point in units and in value Breakeven point = total fixed costs Contribution per unit Contribution per unit 10,000,000 (total contribution 10,000 (production units) 10,000 (production units)	PARAUGUST2	0° Moden Apressor (Charaugust2023) CPARAUgust2023 (CPARAUgust2023) CPARAUgust2023 (CPARAUgust2023) CPARAUgust2023)
(a) Total contribution margin. Contribution margin = sales-variable costs Sales revenue (8,000×10,000) = 80,000,000 Variable costs Direct material cost (25,000×1,000) 25,000,000 Direct labour cost skilled (50,000×500) 25,000,000 Direct labour cost semi-s (30,000×300) 9,000,000 Variable production overheads (22,000×500) 11,000,000 Total variable costs (70,000,000) Total contribution margin 10,000,000 Breakeven point in units and in value Breakeven point = total fixed costs Contribution per unit Contribution per unit = 10,000,000 (total contribution 10,000 (production units) F2.1 Page 12 of 19	PARAUGUST2	02310MXXAQUUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 I
(a) Total contribution margin = sales-variable costs Sales revenue (8,000×10,000) = 80,000,000 Variable costs Direct material cost (25,000×1,000) 25,000,000 Direct labour cost skilled (50,000×500) 25,000,000 Direct labour cost semi-s (30,000×300) 9,000,000 Variable production overheads (22,000×500) 11,000,000 Total variable costs (70,000,000) Total contribution margin 10,000,000 Breakeven point in units and in value Breakeven point = total fixed costs Contribution per unit Contribution per unit = 10,000,000 (total contribution 10,000 (production units) F2.1 Page 12 of 19	CPARAUGUST2	023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 I
Total contribution margin. Contribution margin = sales-variable costs Sales revenue (8,000×10,000) = 80,000,000 Variable costs Direct material cost (25,000×1,000) 25,000,000 Direct labour cost skilled (50,000×500) 25,000,000 Direct labour cost semi-s (30,000×300) 9,000,000 Variable production overheads (22,000×500) 11,000,000 Total contribution margin 10,000,000 Breakeven point in units and in value Breakeven point = total fixed costs Contribution per unit Contribution per unit Contribution per unit 10,000,000 (total contribution 10,000 (production units)	CPARAUGUST2	0 (a) PARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST202
Total contribution margin.Contribution margin = sales-variable costsSales revenue $(8,000 \times 10,000) =$ Sales revenue $(8,000 \times 10,000) =$ Variable costsDirect material cost $(25,000 \times 1,000)$ 25,000,000Direct labour cost skilled $(50,000 \times 500)$ 25,000,000Direct labour cost skilled $(50,000 \times 500)$ 25,000,000Direct labour cost semi-s $(30,000 \times 500)$ 9,000,000Variable production overheads $(22,000 \times 500)$ 11,000,000Total variable costs(70,000,000)Total contribution margin10,000,000Breakeven point in units and in valueBreakeven point = total fixed costsContribution per unitContribution per unitContribution per unit10,000 (production units)F2.1	PARAUGUST2	023 CCPARAUGUS 12023 ICPARAUGUS 12023 IC
Contribution margin = sales-variable costs Sales revenue (8,000×10,000) = 80,000,000 Variable costs Direct material cost (25,000×1,000) 25,000,000 Direct labour cost skilled (50,000×500) 25,000,000 Direct labour cost semi-s (30,000×300) 9,000,000 Variable production overheads (22,000×500) 11,000,000 Total variable costs (70,000,000) Total contribution margin 10,000,000 Breakeven point in units and in value Breakeven point = total fixed costs Contribution per unit Contribution per unit Contribution per unit Total 0,000 (production units)	PARAUGUS12	UTOLATECONTENDULON MARSIN, 2023 ICPARAUGUST 12023 ICPARAUGUST 2023 ICPARAU
Sales revenue $(8,000 \times 10,000) =$ $80,000,000$ Variable costsDirect material cost $(25,000 \times 1,000)$ $25,000,000$ Direct labour cost skilled $(50,000 \times 500)$ $25,000,000$ Direct labour cost semi-s $(30,000 \times 300)$ $9,000,000$ Variable production overheads $(22,000 \times 500)$ $11,000,000$ Total variable costs $(70,000,000)$ Total contribution margin $10,000,000$ Breakeven point in units and in valueBreakeven point = total fixed costs Contribution per unitContribution per unit $10,000,000$ (total contribution $10,000$ (production units)F2.1Page 12 of 19	PARAUGUST2	• Contribution margin \equiv sales-variable costs 12023 icparaugust2023 icparaug
Sales revenue $(8,000 \times 10,000) =$ $80,000,000$ Variable costsDirect material cost $(25,000 \times 1,000)$ $25,000,000$ Direct labour cost skilled $(50,000 \times 500)$ $25,000,000$ Direct labour cost semi-s $(30,000 \times 300)$ $9,000,000$ Variable production overheads $(22,000 \times 500)$ $11,000,000$ Total variable costs $(70,000,000)$ Total contribution margin $10,000,000$ Breakeven point in units and in valueBreakeven point = total fixed costs Contribution per unitContribution per unitContribution per unitTotal contribution per unitTotal contribution per unitPage 12 of 19	PARAUGUST2	023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 I
Variable costsDirect material cost (25,000×1,000)25,000,000Direct labour cost skilled (50,000×500)25,000,000Direct labour cost semi-s (30,000×300)9,000,000Variable production overheads (22,000×500)11,000,000Total variable costs(70,000,000)Total contribution margin10,000,000Breakeven point in units and in valueBreakeven point = total fixed costsContribution per unitContribution per unit10,000 (production units)F2.1Page 12 of 19	PARAUGUST2	o Sales revenue (8,000×10,000) ☴ 1000 Sales 1000 Sales revenue (8,000,000 UGUST2023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST2023
Direct material cost $(25,000 \times 1,000)$ 25,000,000Direct labour cost skilled $(50,000 \times 500)$ 25,000,000Direct labour cost semi-s $(30,000 \times 300)$ 9,000,000Variable production overheads $(22,000 \times 500)$ 11,000,000Total variable costs(70,000,000)Total contribution margin10,000,000Breakeven point in units and in valueBreakeven point = total fixed costsContribution per unitContribution per unit10,000 (production units)	PARAUGUST2	0. Variable costs
Direct material cost $(25,000 \times 1,000)$ 25,000,000Direct labour cost skilled $(50,000 \times 500)$ 25,000,000Direct labour cost semi-s $(30,000 \times 300)$ 9,000,000Variable production overheads $(22,000 \times 500)$ 11,000,000Total variable costs(70,000,000)Total contribution margin10,000,000Breakeven point in units and in valueBreakeven point = total fixed costsContribution per unitContribution per unit10,000 (production units)10,000 (production units)	PARAUGUST2	023 IUMIMOCUS72923 ICPARAUGUST2023
Direct labour cost skilled $(50,000 \times 500)$ 25,000,000Direct labour cost semi-s $(30,000 \times 300)$ 9,000,000Variable production overheads $(22,000 \times 500)$ 11,000,000Total variable costs(70,000,000)Total contribution margin10,000,000Breakeven point in units and in valueBreakeven point = total fixed costsContribution per unitContribution per unit = 10,000,000 (total contribution10,000 (production units)F2.1F2.1	PARAUGUST2	Direct material cost $(25,000 \times 1,000)$ 25,000,000
Direct labour cost skilled $(30,000 \times 300)$ 23,000,000Direct labour cost semi-s $(30,000 \times 300)$ 9,000,000Variable production overheads $(22,000 \times 500)$ 11,000,000Total variable costs(70,000,000)Total contribution margin10,000,000Breakeven point in units and in valueBreakeven point = total fixed costsContribution per unitContribution per unit10,000 (production units)10,000 (production units)F2.1	PARAUGUSIZ	123 ICPARAUGUS 12023 IC
Direct labour cost semi-s $(30,000 \times 300)$ 9,000,000Variable production overheads $(22,000 \times 500)$ 11,000,000Total variable costs(70,000,000)Total contribution margin10,000,000Breakeven point in units and in valueBreakeven point = total fixed costsContribution per unitContribution per unit10,000 (production units)F2.1F2.1	PARAUGUST2	Direct labour cost skilled $(50,000\times500)$ 25,000,000
NameNumber of the second	PARAUGUST2	Direct labour cost semi-s (30,000×300) gust2029,000,000 st2023 icparaugust2023
$\begin{aligned} & \text{Paralgust2} Variable production overheads (22,000×500) \underline{11,000,000}{11,000,000} \\ & \text{Paralgust2} Variable costs \\ & \text{Paralgust2} Total variable costs \\ & \text{Paralgust2} Total contribution margin \\ & \text{Paralgust2} Contribution per unit \\ & \text{Paralgust2} Contribution \\ & \text{Paralgust2} Contribut$	PARAUGUST2	023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 I
$\begin{aligned} & \text{PARAUGUST20} \text{Total variable costs} \\ & \text{PARAUGUST2023} \text{ (CPARAUGUST2023} $	PARAUGUST2	\sim Variable production overheads (22,000×500) $\frac{11,000,000}{11,000,000}$ st2023 icparaugust2023 icparaugust
PARAUGUST20 Total contribution margin 2023 ICPARAUGUST2023 IC	PARAUGUST2	029 LCPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST202
Total contribution margin 2023 (CPARAUGUST2023) (CPARAUG	PARAUGUST2	0/1/0/11/0/11/0/12/0/2003 1/0
PARAUGUST2023 ICPARAUGUST2023	PARAUGUST2	Total contribution margin $10,000,000$ space parallel stops in parallel stops in parallel stops in parallel stops in the
PARAUGUST2023 ICPARAUGUST2023	PARAUGUST2	023 ICPARAUGUST2023 ICPARAUGUST202
PARAUGUST2023 ICPARAUGUST2023	PARAUGUST2	023 ICPARAUGUST2023
PARAUGUST2023 ICPARAUGUST2023	PARAUGUST2	OBreakeven point in units and in value gust2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023
PARAUGUST2023 ICPARAUGUST2023	PARAUGUST2	023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 I
PARAUGUST2023 ICPARAUGUST2022 Contribution per unit august2023 ICPARAUGUST2023 ICPARAUGUST202	CPARAUGUST2	o: Breakeven point ≢ <u>total fixed costs</u> araugust2023 iCparaugust2023 iCpara
PARAUGUST 2023 ICPARAUGUST 2022 ICPARAUGUST 2023 ICPARAU	PARAUGUST2	223 ICPARAUGUST2023 ICPARAUGUST202
PARAUGUST2023 ICPARAUGUST2023	PARAUGUSIZ	023 ICPARAUGUS I 2023 ICPARAUG
PARAUGUST2023 ICPARAUGUST2023	PARAUGUST2	Contribution per unit $=$ 10,000,000 (total contribution
PARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 (PPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 I PARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 I PARAUGUST20 23 ICPARAUGUST2023 ICPARAUGUST2023	PARAUGUST2	023 ICPARAUGUST2023 ICPARAUGI A DAMA CRAEAUGUST2023 ICPARAUGUST2023
PARAUGUST2023 ICPARAUGUST2023	PARAUGUST2	023 ICPARAUGUST2023 ICPARAUGUST2023 (PPARAUGUST2023IC) ARAUGUST2023 ICPARAUGUST2023
PARAUGUST20 23 ICPARAUGUST2023 ICPARAUGUST2023	PARAUGUST2	023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 I
PARAUGUST2021 CARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST203 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST2023 ICPAR	PARAUGUST2	0231CPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST2003
PARAUGUST2023 ICPARAUGUST2023 ICPARAUG	PARAUGUST2	0. P.Z. IARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2 12 Age 12 01 19 2023 ICPARAUGUST2023 I
	PARAUGUST2	023 ICPARAUGUST2023 ICPARAUGUST202

Contribution per unit = 1,000 Breakeven point in units =8,000,0001000

Breakeven point in value =breakeven point in units ×selling price per unit = 8,000×8,000 = FRW 64,000,000 Margin of safety in units and in value

Margin of safety =current sales level – break-even point sales = (10,000-8,000) = 2,000 units

Margin of safety in value = margin of safety units × selling price per unit =2,000×8,000 = FRW16,000,000

Sales level required to achieve a profit of FRW 5,000,000 Sales level = total fixed costs + target profit

Contribution per unit

CPARAUGUST2023 ICPARAUC = 8,000,000+5,000,000

PARAUGUS1000 ICPA

=13,000 units

Sales value = 13,000×8,000 = FRW104,000,000

(b)

Availability of the product to be bought

Where it certain that the product to be bought is available then the cost should be compared with the one of making/manufacturing. But if it is not available then the option of manufacturing is automatically adopted.

Cost of buying verses the cost of making

The option adopted should the most economical to the business. If manufacturing is expensive then the option of buying is adopted and vice versa

Spare capacity

Consideration should be given to the spare capacity of business plant or production capacity. If the plant is operating at full capacity, then the option of buying is adopted since there isn't any spare capacity for production left unutilized.

The effect of the cause of action to clients

Caution has to be exercised since the quality of a manufactured product that customers are used to is not the same. If it is proved beyond reasonable doubt that quality will be compromised then buying is not an option since this will adversely affect the reputation of the business

Accept or reject a special-order price

UST2023 ICPARAUGUST2023 ICPARA

Absorption or not of variable production costs

If the price of the special order placed before the business delivery of goods is able to fully absorb all the variable production cost and still remain with some contribution per unit then it can be accepted on the contrary if it can't then it will be rejected in totality. **Effect this has on other customers/clients**

If the special order will water down or dilute completely the normal price at which other clients buy then it should be rejected but if there is certainty that this won't adversely affect the other market then it can be accepted.

Spare capacity

A special order can only be accepted if there a spare production capacity for the same, but where it is unavailable then it won't be adopted.

Optimal production mix

Contribution per unit

Where there are constraints to production, then it is important to consider the production mix that is optimal or that which can optimally utilize the scarce resources. The production mix adopted should be the one that maximizes contribution per unit of the product.

Demand of the product

The production mix adopted should also take into account the product that is on high demand. Production should be on priority based on which product that is demanded most.

Drop or retain decisions

Overall effect to the organization

If by dropping a given product or department a company makes further losses then consider retaining it.

Effect of fixed costs

Before a decision is made a decision first has to be made on the treatment of fixed costs, if it a burden to absorb these costs in other products or departments then it is prudent to retain it.

PARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023

QUESTION SIX

Marking Guide Criteria of awarding marks MARKS (a) Stating a purpose of preparing a budget 0.5marks, explanation 1.5mks (maximum 6 6) (b) Fixed budget: for the correct Sales revenue figure 0.5 Direct material cost figure Direct labour cost figure Variable production overhead cost 1 Fixed production overhead cost 0.5 Selling and distribution cost figure 0.5 Budgeted profit figure 0.5 Maximum 5 Flexible budget: for the correct Sales revenue figure 0.5 Direct material cost figure Direct labour cost figure 1 Variable production overhead cost 3 Fixed production overhead cost 0.5 Selling and distribution cost figure 0.5 Flexed profit figure 0.5 5 Maximum (c) A Scenario 1 stating the type of budgeting style 0.5mark and 1.5 for explanation 2 Scenario 2 stating the type of budgeting style 0.5mark and 1.5 for explanation 2 Maximum 4 20 **Total marks allocated** Marks

PARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023

Model Answers

(a)

Purpose of a budget to an organization

Planning

It is a planning tool. The budget shows the organizational finance plan with goals and objectives as well as quantifies all these into something tangible that can be aimed at. This future planning helps in anticipating future business conditions and this helps to plan this can be mitigated.

Control

Budget set certain targets against which actual performance can be measured. This enables the organization to ascertain whether there is efficiency the management of scarce resources.

Coordination

A budget act as the medium through which an organization communicates its financial plans throughout the different parts of an entity this thus shows how the different parts fit together to form an integrated plan for the organization as a whole.

Priority spending

When there is a budget plan, it forces the organization to spend resources on priority basis rather than doing random spending of the scarce resources.

(b)

Fixed and flexible budgeted P&L for the year ended 31st December 2022

23 ICPARAUGUST2023 ICPARAUGUST2023 23 Types of budgets paraugust2023	Fixed budget	PARAUGUST2023 PARAUGUST2023	Flexible budget ARAUGUST2023		
P & L items budgeted for 2023 23 ICPARAUGUST2023 ICPARAUGUST2023 23 ICPARAUGUST2023 ICPARAUGUST2023 23 ICPARAUGUST2023 ICPARAUGUST2023	Computation CPARAUGUST20231	Amount (FRW)	Computation Computation CPARAUGUST202310 CPARAUGUST202310	Amount (FRW)	
Direct material cost	20×20×20,000	8,000,000	25×20×25,000	12,500,000	
Direct labour cost	10×40×20,000	8,000,000	08×40×25,000	6,400,000	
Variable production overheads	5×40×20,000	4,000,000	6×40×25,000	6,000,000	
Fixed production overheads	ICPARAUGUST2023 IC ICPARAUGUST2023 IC	PARAUGUST2023 PARAUGUST2023	ICPARAUGUST2023 IC ICPARAUGUST2023 IC	PARAUGUST2023 PARAUGUST2023	
Total budgeted production	ICPARAUGUST2023 IC ICPARAUGUST2023 IC	6,000,000	ICPARAUGUST2023 IC ICPARAUGUST2023 IC	6,000,000	
23 COSTRAUGUST2023 ICPARAUGUST2023 23 COSTRAUGUST2023 ICPARAUGUST2023	ICPARAUGUST2023 IC ICPARAUGUST2023 IC	26,000,000	ICPARAUGUST2023 IC ICPARAUGUST2023 IC	30,900,000	
Selling and distribution cost	ICPARAUGUST2023 IC ICPARAUGUST2023 IC	PARAUGUST2023 PARAUGUST2023	ICPARAUGUST2023 IC ICPARAUGUST2023 IC	PARAUGUST2023 PARAUGUST2023	
Cost of sales 023 ICPARAUGUST2023	ICPARAUGUST2023 IC ICPARAUGUST2023 IC	2,000,000	ICPARAUGUST2023 IC ICPARAUGUST2023 IC	2,000,000	
Add profit element _{RAUGUST2023}	ICPARAUGUST2023 IC ICPARAUGUST2023 IC	28,000,000	ICPARAUGUST2023 IC ICPARAUGUST2023 IC	32,900,000	
Sales revenue ³ ICPARAUGUST2023	20,000×100	2,000,000	25,000×184	4,600,000	
23 ICPARAUGUST2023 ICPARAUGUST2023 23 ICPARAUGUST2023 ICPARAUGUST2023	20,000×1500	<u>30,000,000</u>	25,000×1500	37,500,000	

Page 16 of 19

(c)

Scenario 1

Scenario 1 is where the above details are used to prepare the 2023 budget proposal while making some adjustments

This is an incremental budget

Justification

Incremental budget is one that is prepared while taking into consideration the previous year's budget estimates and making increases or decreases to those estimates.

Scenario 2

scenario 2 is where a budget proposal for 2023 is prepared while disregarding the above provided details.

This is a zero-based budget.

Justification

A zero-based budget is one that is prepared without making any reference to the previous year's budget estimates. It starts from zero reason as to why it is called zero based budget.

QUESTION SEVEN

Marking Guide

3 ICPARALIGUST2023 ICPARALIGUST2023 ICPARALIGUST2023 ICPARALIGUST2023 ICPARALIGUST2023 ICPA	RAUGUST202310
Criteria of awarding marks ²³ ICPARAUGUST2023	MARKS
(a) ARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	RAUGUST2023 I
Explanation of variance analysis paraugust2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	raugust202 2 10
(b) for each correct raugust2023 iCPARAUGUST2023 iCPARAUGUST203 iCPARAUGUST203 iCPARAUGUST203 iCPARAUGUST203 iCPARAUGUST2023 iCPARAUGUST203 iCPARAUGUST203 iCP	RAUGUST2023 IO RAUGUST2023 IO
SICE ARAUGUST 2023 ICPARAUGUST 2023 ICPA	RAUGUST2023 R RAUGUST202 2 10
Material A price variance st2023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST202	raugust2023 2 10 raugust202 2 10
Material B price variance st2023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST202	raugust20220
Material A usage variance standard quantity of material 1mark, variance 1mark	$\begin{array}{c} \text{RAUGUST2022} \\ \text{RAUGUST2023} \\ \end{array}$
Material B usage variance standard quantity of material 1mark, variance 1mark	raugust20221
Labour efficiency variance standard labour hours 1 mark, variance 11 mark	raugust202210
For each contributing factor to material cost variances 1mark (max 3) UST2023 ICPA	RAUGUST202310 RAUGUST202310
For each stated cause of labour cost variance lmark, (maximum 3 Marks) 2023 ICPA	RAUGUST2023 R RAUGUST202 3 I
SICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2029 ICPARAUGUST2023 ICPA Maximum 12023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPA	RAUGUST20 RAUGUST20
Total allocated marks gust2023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023	20 Marks

ARAUGUST 2023 ICPARAUGUST 2023 ICPARAUGU

Model Answers

(a) Variance analysis

A variance is the difference between the projected/budgeted performance and actual performance whether favorable or adverse. Variance analysis is the investigation of costs and/or sales variances whether favorable or

otherwise so as to establish the cause and plan to mitigate if such variances indicated inefficiency in performance.

(b) Sales volume variance

= standard selling price (budgeted sales volume – actual sales volume) $= 2.000(50.000 \times 55000) = 10.000.000F$ Material price variance

Actual quantities of materials used (standard price – actual price) AQ(SP-AP) Material A {45,000(200)-10,000,000} = 1,000,000A

Material B {40,000(250)-11,550,000} = 1,550,000A

Material usage variance

=standard price (standard quantity × actual quantity) = SP(SQ-AQ) Standard quantity = material required per × unit actual production Material A SQ = $45,000 \times 55,000$ 50,000 = 49,500kgs Material B SQ = $40,000 \times 55,000$ 50,000 = 44,000kgs Material usage variance Material A = 200(49,500-40,000) = 1,900,000FMaterial B = 250(44,000-42,000) = 500,000FLabour efficiency variance = standard labour rate (standard labour hours × actual labour hours) = SLR (SLH - ALH) $SLH = (40,000 \times 55,000)$ 50,000

= 44,000hours

1,600,000F

=400(44,000-40,000)

F2.1

Page 18 of 19

3 contributing factors to material cost variances

(i) Use of lower or higher quality level of materials than planned for

(ii) Changes in material prices

(iii) Wastages resulting from poor handling by unskilled personnel

(iv) Losses resulting from increased abnormal losses.

(v) Bulky purchasing different from the initial plan

3 causes of labour cost variances

(i) Use of different grade of personnel than planned for.

(ii) Idle time caused delayed delivery of materials; machine break down etc.

(iii) Changes in the labour rates caused external factors.

(iv) Improved performance of personnel as a result of trainings.

(v) Payment of bonus premium that was not even factored in the budget.

END OF MARKING GUIDE AND MODEL ANSWERS

UIGUST2023 ICPARAUGUST2023 ICPARAUGUST203 ICPARUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST203 ICPARAUGU

CPARAUGUST2023 ICPARAUGUST2023 ICPARAUGUST2023