



CERTIFIED ACCOUNTANT TECHNICIAN

STAGE 1 EXAMINATIONS

S1.2 PRINCIPLES OF COSTING

DATE: MONDAY 26, AUGUST 2024

MARKING GUIDE AND MODEL ANSWERS

Marking Guide

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

Model Answers

QUESTION 1

The correct answer is A

The true characteristic of the sole trade form of business is: Unlimited Liability. Unlimited liability is a fundamental characteristic of sole trade. It means that the owner (sole trader) is personally liable for all debts, obligations, and liabilities of the business. This personal liability extends to the proprietor's personal assets, which can be used to settle business debts in case the business assets are insufficient. Therefore, it is the True answer.

B is not correct because Indirect control of business activity does not accurately describe the characteristic of sole trade. In fact, sole traders have direct control over all business activities and decision-making processes.

C is not correct because whether or not assistants are employed is not a defining characteristic of sole trade. Sole traders can choose to hire assistants or employees as needed.

D is not correct because the number of assistants employed is not a defining characteristic of sole proprietorships. Sole proprietors may have varying numbers of assistants depending on the size and nature of their business.

QUESTION 2

The correct answer is A

Habiyambere Ltd is engaged in the production of papers, which is a tangible product. Manufacturing organizations are involved in the production or manufacturing of goods from raw materials or components. They transform these materials into finished products that are then distributed and sold to customers. therefore, it is the best answer

B is not correct because Since Habiyambere Ltd produces papers rather than selling them directly to consumers, it does not fit the definition of a retail organization.

Retail organisations: Retail organizations are involved in the sale of goods directly to consumers. They do not manufacture products themselves but purchase goods from manufacturers or wholesalers and sell them to end consumers.

C is not correct because Service organizations provide intangible services rather than physical products. They offer expertise, assistance, or support to customers, but they do not produce

tangible goods like papers. Therefore, Habiya mbere company Ltd does not fall under the category of service organizations.

D is not correct because Habiya mbere company Ltd clearly engages in manufacturing activities by producing papers. Therefore, "None of the above" does not accurately describe the type of business Habiya mbere company Ltd is engaged in.

QUESTION 3

The correct answer is D

The purpose of accounting is primarily focused on financial management and reporting rather than human resources activities like hiring employees. Therefore, the correct answer is: D Hiring required employees. Accounting is primarily concerned with financial aspects such as recording financial transactions, financial reporting, decision-making based on financial information, and monitoring and controlling financial resources. While hiring employees is an important business function, it falls under the domain of human resources management and is not directly related to accounting functions such as recording transactions, preparing financial statements, or financial analysis.

Other options are not correct:

A is not correct because recording financial transactions is a fundamental purpose of accounting. Accounting involves recording all financial transactions of a business to maintain an accurate and complete record of its financial activities.

B is not correct because decision-making: Accounting provides information that is essential for making informed business decisions. Managers use financial reports and analysis to assess performance, evaluate profitability, and determine future strategies.

C is not correct because monitoring and controlling helps in monitoring financial resources and controlling expenditures through budgeting, variance analysis, and financial reporting. This ensures that financial resources are used efficiently and effectively.

QUESTION 4

The correct answer is A

The main objective of management accounting is to identify and analyze the result of business operations. Here's a detailed explanation:

Identify Business Results: Management accounting focuses on collecting, analyzing, and interpreting financial and non-financial information related to business operations. This includes identifying key performance indicators (KPIs) such as revenues, costs, profits, and other metrics that reflect the financial health and performance of the organization.

Analyze Business Results: Beyond just identifying the results, management accountants analyze the reasons behind the financial outcomes. Therefore, A is the correct answer.

Other options are not correct

B is not correct because verifying supporting documents before payment task is typically associated with the accounts payable function within financial accounting, where invoices and supporting documentation are verified for accuracy before payments are made.

C is not correct because to check and maintain accounting records is more of an operational task rather than the primary objective of management accounting.

D is not correct because This task relates to accounts receivable management, which involves ensuring timely collection of payments from customers. While important for cash flow management, it is not the main objective of management accounting.

QUESTION 5

The correct answer is D

Among the options provided, the one that would not be considered an internal user of accounting data for the Dusabe Company is City Labor inspector. Internal users of accounting data are individuals within the organization who require financial information to carry out their responsibilities effectively. This typically includes roles such as executives, managers, supervisors, and employees directly involved in operations. They use accounting data for decision-making, planning, control, and performance evaluation within the company. In contrast, a City Labor inspector is an external entity responsible for ensuring compliance with labor laws and regulations. Therefore, D is the correct answer.

Other options are not correct because they are internal users:

A is not correct because President of the company is internal user

B is not correct because Production manager he is internal user

C is not correct because Merchandise inventory clerk he is internal user

QUESTION 6

The correct answer is C

Expenditures incurred to acquire fixed assets are called Capital expenditures. Capital expenditures refer to investments made by a company to acquire, upgrade, or improve fixed assets. Fixed assets are long-term assets that are not meant for resale but are used in the production or operation of the business. Examples include machinery, equipment, buildings, vehicles, and land. Therefore, C is the best answer.

Other options are not correct:

A is not correct because Revenue expenditures are day-to-day expenses incurred in the ordinary course of business to maintain operations and generate revenue. They are typically expensed immediately and do not result in the acquisition or enhancement of fixed assets.

B is not correct because Prepaid expenses refer to expenses paid in advance before the benefits are received. They are typically current assets on the balance sheet until the benefits are realized, after which they are expensed.

D is not correct because Outstanding expenses are expenses that have been incurred but have not yet been paid. They are typically recorded as liabilities until paid

QUESTION 7

The correct answer is A

Interest on a loan or overdraft is categorized under the following cost classification: Expenses Interest on a loan is considered a financial expense incurred by a business for the use of borrowed funds. It is not directly related to labor (B), materials (C), or any other specific production cost. Instead, it represents a cost of financing or capital that is necessary to operate the business and is therefore classified under expenses.

Other options are not correct:

B is not correct because Labor costs refer to the wages and salaries paid to employees for their work in the production process. Interest on a loan is not related to labor costs.

C is not correct because Materials costs refer to the costs associated with the direct materials used in manufacturing or production. Interest on a loan does not fall under this category.

D is incorrect because interest on a loan is indeed categorized as an expense (option A).

QUESTION 8

The correct answer is D

The item that is not a direct expense among the options provided is: Administrative staff salary. Administrative staff salary: Salaries of administrative staff, such as those working in general management, finance, human resources, or other administrative functions, are not directly related to the production of specific goods. Instead, they support the overall operation of the business. Therefore, administrative staff salaries are considered indirect expenses (or overheads) rather than direct expenses. Administrative staff salary is the option that is NOT a direct expense. Therefore, it is the best answer.

A is not correct because Raw material is a direct expense because it is directly involved in the production of goods.

B is not correct because Freight and shipping costs to the production site are direct expenses because they are necessary to bring raw materials to the production site.

C is not correct because Manufacturing supplies are direct expenses because they are used directly in the production process

QUESTION 9

The correct answer is D

This is the correct calculation of the prime cost (Direct Cost + Direct Labor + Direct Expenses)
 $= 100,000 + 80,000 + 5,000 = \text{FRW}185,000$

A is not correct because it was wrongly calculated by adding all cost together-This amount includes the total of all expenses, which would be: Total = Direct Cost + Direct Labor + Direct Expenses + Other Operating Expenses Total = $100,000 + 80,000 + 5,000 + 3,000$ Total = $\text{FRW}188,000$

B is not correct because it was wrongly calculated Total = $100,000 + 80,000 + 3,000$ Total = $\text{FRW}183,000$

C is not correct because it only considers the Direct cost of $\text{FRW}100,000$, direct expenses and direct labour were ignored

QUESTION 10

The correct answer is B

Advertising the guitar in the city tourist information shop is the correct answer as it directly relates to promoting and selling the guitars, which are activities associated with selling and distribution costs. is the correct answer as it directly relates to promoting and selling the guitars, which are activities associated with selling and distribution costs Therefore, it is the best answer.

A is not correct because Salaries of craftsmen making the instruments are considered part of the production costs (specifically, direct labor costs). These costs are directly related to the manufacturing process and are not classified as selling and distribution costs.

C is not correct because Wages of the bookkeeper fall under administrative expenses. They are related to the general administrative functions of the business and are not directly associated with selling and distribution activities.

D is not correct because Interest charged on business overdraft is a financial expense, not a selling and distribution cost. It is associated with financing activities and managing the business's financial obligations.

QUESTION 11

The correct answer is A

Factory Rent: FRW5,000

Employee Salaries: FRW8,000

Total Fixed Cost = FRW5,000 + FRW8,000 = FRW13,000

B is not correct because it suggests that only Factory Rent is considered fixed

Total Fixed Cost = FRW5,000 (Factory Rent)

C is not correct because it suggests combination of all costs, which includes both fixed and variable costs.

Total Costs = FRW5,000 (Factory Rent) + FRW8,000 (Employee Salaries) + FRW12,000 (Casual Labor) + FRW2,000 (Consultancy Fees) = FRW27,000

D is not correct because A is the correct answer

QUESTION 12

The correct answer is A

A profit center is indeed a business unit or segment within organization where the manager is responsible for generating and maximizing profits. The primary goal of a profit center is to earn revenues that exceed the costs incurred, thereby contributing positively to the overall profitability of the organization. Therefore, the answer that specifically defines a profit center in the context of managerial responsibility is: (A) Where the manager has the responsibility of generating and maximizing profits.

B is not correct because this statement does not accurately describe the primary function or responsibility of a profit center. While profit centers aim to generate profits, how those profits are used, such as for employee well-being, would typically be a decision made at a higher organizational level rather than the sole responsibility of a profit center manager.

C is not correct because this option combines elements that could be associated with a profit center (generating profits) and aspects that are more broadly related to organizational decisions on profit distribution or employee benefits. It is not typically how a profit center is defined in management accounting terms.

D is not correct because it describes a cost center, where the focus is on controlling costs rather than directly generating profits.

QUESTION 13

The correct answer is A

A Cost unit refers to a specific unit of quantity for a product, service, or time period that is used as a basis for calculating or expressing costs. Cost units allow businesses to determine the cost of producing a single unit of product or providing a service, which is essential for various cost management and decision-making processes. Therefore, the correct and specific definition of a Cost Unit, in the context of cost accounting and management, is: Unit of quantity of product, service or time in relation to which costs may be ascertained or expressed

B is not correct because it is a definition describes a Cost Center, not a Cost Unit. Cost centers are specific locations, individuals, equipment, or groups used for controlling costs within an organization.

C is not correct because it describes Profit Centers, not Cost Units. Profit centers are business segments or units within an organization that are responsible for generating profits.

D is not correct because it describes Investment Centers, which are business units or segments evaluated based on the return on the investment made in them, not cost Units.

QUESTION 14

The correct answer is D

This option correctly identifies the fundamental components that make up the total cost incurred in producing a product. The elements of cost of a product typically include:

A is not correct because it refers to the cost of raw materials or components used in manufacturing a product. It includes the cost of purchasing materials, handling them, and storing them until they are used in production.

B is not correct because it refers to the cost of wages and salaries paid to workers involved in the manufacturing process. It encompasses both direct labor (those directly involved in production) and indirect labor (supporting roles such as supervisors, quality control, etc.).

C is not correct because it refers to The expenses associated with ensuring that the product meets quality standards.

QUESTION 15

The correct answer is D

Work in progress (WIP) refers to inventory items that have begun the production process but are not yet completed. They are in the process of being manufactured or assembled but are not yet ready for sale. A brick that has been molded but not fired in the kiln -is considered work in progress (WIP). It has gone through part of the manufacturing process (molding) but requires further processing (firing in the kiln) before it becomes a finished product. Therefore, option D best fits the definition of work in progress (WIP) inventory, as it represents items that are partially completed in the production process but not yet finished.

A is not correct because Bricks at a brick making factory- would typically be considered as finished goods inventory, completed the manufacturing process or are ready for sale.

B is not correct because Bricks in the warehouse at a building material company -are finished goods inventory, as they are ready for sale or distribution.

C is not correct because the ingredients for making bricks held in stores -are raw materials inventory, as they have not yet begun the manufacturing process.

QUESTION 16

The correct answer is C

Stock records are used to track and manage inventory within a business. They include various documents and systems to record movements of inventory items. Notebook - While notebooks can be used for various purposes, they are not typically considered a formal document used exclusively for stock record keeping. Stock records are usually maintained in structured forms or electronic systems designed for inventory management. Therefore, the correct answer is C. Notebook, as it is not specifically a document used exclusively for stock record keeping compared to the other options which are directly related to inventory management and tracking. A is not correct because Store card is a document used to record the receipts and issues of stock items from the inventory. It helps maintain a record of the current stock levels, therefore is used in stock record.

B is not correct because Delivery Note is a document accompanies goods delivered to a customer and details what items have been sent and their quantities. It serves as evidence of delivery and can be used to update stock records upon delivery. therefore, is used in stock record.

D is not correct because Purchase order is a document issued by a buyer to a supplier to authorize a purchase. It specifies the items to be purchased, quantities, prices, and terms. Once goods are received based on a purchase order, they are used to update stock records. therefore, is used in stock record.

QUESTION 17

The correct answer is C

To record store movement (in and out)

A store card, also known as a stock card or inventory card, is used to maintain a record of the movement of inventory items (goods) in and out of a store or warehouse. It serves as a detailed ledger for each inventory item, recording various transactions related to inventory management. This option C correctly describes the main purpose of a store card. It tracks the movement of inventory items into and out of the store or warehouse.

A is not correct because a store card records both quantities received (inward movements) and quantities issued (outward movements).

B is not correct because assets acquired are recorded in asset register

D is not correct because option C accurately describes the purpose of a store card.

QUESTION 18

The correct answer is D

A: 280 FRW-This matches the calculated closing stock of 280 FRW, which is the correct value under FIFO method as explained below:

See calculations on each date:

Date	Transaction	Units	Rate (FRW)	Total Cost (FRW)	Cumulative Units	Cumulative Cost (FRW)
January 1	Purchase	5	50	250	5	250
January 5	Issue	2	50	100	3	150
January 10	Issue	1	50	50	2	100
January 15	Purchase	5	70	350	7	450
January 25	Issue	3	-	-	4	280

Issue on January 5: 2 Markers issued, Remaining stock: 3 Markers @ FRW 50 = FRW 150

Issue on January 10: 1 Marker issued, Remaining stock: 2 Markers @ FRW 50 = FRW 100

Purchase on January 15: 5 Markers @ FRW 70 = FRW 350, Total stock after purchase: 7 Markers @ FRW 70 = FRW 450

Issue on January 25: 3 Markers issued, Remaining stock: 4 Markers @ FRW 70 = FRW 280

The correct value of closing stock using the FIFO method, as of January 25, 2023, is 280 FRW

Other options are not correct:

B is not correct because it does not match the calculated closing stock. It appears to reflect the cost after the first two issues, which is incorrect for the closing stock calculation. Remaining stock: 3 Markers @ FRW 50 = FRW 150 this is the value on January 5 not January 25

C is not correct because it does not match the calculated closing stock and seems to be based on the cost after the first issue only, which is incorrect. 1 Marker issued, Remaining stock: 2 Markers @ FRW 50 = FRW 100. this is the value on January 10 not January 25

D is not correct because it does not match the calculated closing stock and seems to reflect the total value after both purchases without considering the issues, which is incorrect. this is the value on January 15 not January 25

QUESTION 19

The correct answer is D

EOQ (Economic Order Quantity) is used in inventory management to determine the optimal order quantity that minimizes total inventory costs, including ordering costs and holding costs. It helps in determining how much inventory to order, but it is not used for inventory valuation. EOQ is not an inventory valuation method but rather a technique used in inventory management to determine the optimal quantity of goods to order that minimizes total inventory costs, including holding costs and ordering costs. Therefore, it is the correct answer.

A is not correct because it assumes that the oldest inventory items (first in) are sold first, and the newest items remain in inventory. It is primarily used for inventory valuation and cost of goods sold calculations. It is inventory valuation method

B is not correct because it assumes that the newest inventory items (last in) are sold first, and the oldest items remain in inventory. It's another approach to valuing inventory and can have different tax implications compared to FIFO. It is inventory valuation method

C is not correct because it calculates the average cost of all inventory items available for sale during the accounting period. It's useful for smoothing out fluctuations in purchase prices. It is inventory valuation method

QUESTION 20

The correct answer is C

C Is Correct Salary of plant technician This directly relates to paying an employee who is likely involved in the operation, maintenance, or technical aspects of the manufacturing process. Therefore, it qualifies as a labor cost.

A is not correct because Administration expenses are general expenses related to running the administrative functions of the company and are usually considered overhead or indirect costs, not direct labor costs.

B is not correct because Fuel for all company staff is not correct because is a cost related to providing fuel for transportation or equipment usage and is also considered an overhead or indirect cost, not direct labor costs.

C is not correct because, recruitment fees only related to administration costs

QUESTION 21

The correct answer is A

Based on the calculations, the correct labor cost per hour to the nearest cent is **FRW 8.25**. This calculation takes into account the budgeted total labor cost and adjusts for the idle time percentage to determine the effective hourly labor cost for the job. $FRW 8.25: (FRW 36,300 / 4,400 \text{ Hours})$ This is the calculated labor cost per hour, considering the total budgeted labor cost and adjusted for idle time. Therefore, it the correct answer.

Total Productive Hours:

The job is budgeted to require 3,300 productive Hours.

Idle time is 25%, which means 75% of the time is productive.

Therefore, productive Hours = $3,300 \text{ Hours} / 0.75 = 4,400 \text{ Hours}$.

Labor Cost per Hour:

Total labor cost budgeted for the job is FRW 36,300.

Labor cost per hour = Total labor cost / Total productive Hours

Labor cost per hour = $FRW 36,300 / 4,400 \text{ Hours}$

Perform the Calculation:

Labor cost per hour = $FRW 36,300 / 4,400 \text{ Hours}$

Labor cost per hour \approx FRW 8.25

This is the calculated labor cost per hour, considering the total budgeted labor cost and adjusted for idle time. Therefore, option A (the correct answer)

B is not correct because it was used wrong calculation where $FRW 4,400: (3,300 \text{ Hours} / 0.75)$

This is not the correct answer. It does not match the calculated labor cost per hour.it is productive Hours

C is not correct because it was used wrong calculation where $FRW 0.12: (FRW 36,300 / 4,400 \text{ Hours})$ This is significantly less than the calculated labor cost per hour and the formula used is not correct, hence 0.12 is not the correct answer

D is not correct because it was used wrong calculation where $FRW 36,300$: This higher than the calculated labor cost per hour. the figure is for the total labor cost budgeted for the job, hence is not the correct answer.

QUESTION 22

The correct answer is B

Straight piecework system It is a system where rate determination is based on units of production per time period -This statement accurately describes a straight piecework system. In such a system, employees are paid a fixed rate for each unit of output they produce within a specified time period. The rate is typically determined by multiplying the number of units produced by the rate per unit.

A is not correct because It is based on providing end-of-year bonuses when the organization performs well -This statement is not true for a straight piecework system. A straight piecework system compensates employees based on the number of units they produce, regardless of the organization's overall performance or profitability.is incorrect because straight piecework systems do not involve end-of-year bonuses based on organizational performance.

C is not correct because It is a complex system where employees are paid based on their age - This statement is incorrect. A straight piecework system does not consider employees' age for determining pay. Pay is based on the quantity of output produced. is incorrect because age is not a factor in determining pay in a straight piecework system.

D is not correct because It is a system where standards are based on time per unit -This statement describes a time-based incentive system, not a straight piecework system. In a time-based incentive system, employees are paid based on how quickly they complete each unit of work according to a predetermined standard time. is incorrect because it describes a time-based incentive system, not a straight piecework system

QUESTION 23

The correct answer is C

Cost type	Budget	Actual	Variance	Comments
	FRW	FRW	FRW	
Labour	65,920,000	67,370,000	1,450,000	Adverse

It is correct as it was calculated based on real data as per above figures

Other options are not correct:

A FRW540,000 A is not correct because it was calculated based on materials instead of

Labour 52,480,000

LESS Budgeted Materials (51,940,000)

Wrong Labor Variance 540,000

B FRW 540,000 F

is not correct because it was calculated based on materials instead of Labor

Actual Materials 51,940,000
LESS labour (52,480,000)
Wrong Labor Variance (540,000)

D FRW1,450,000 F is not correct because it is showing Favorable instead of adverse status

Budgeted Labour 65,920,000
LESS Actual Labour 67,370,000
Wrong Labor Variance (1,450,000)

QUESTION 24

The correct answer is A

Cost type	Budget	Actual	Variance	Comments
	FRW	FRW	FRW	
Production overheads	34,340,000	35,680,000	1,340,000	Adverse

It is correct as it was calculated based on real data as per above figures

Other options are not correct:

B FRW 1,340,000 Favorable is not correct because it was calculated as if it is Favorable instead of Adverse

Budgeted prod 34,340,000
LESS actual prod 35,680,000
Variance (1,340,000)

C FRW 2,570,000 Adverse

is not correct because it was calculated based on Selling and distribution overheads instead of production overhead

Actual selling and FRW 12,840,000
LESS Actual administrative expenses (FRW 10,270,000)
Variance FRW 2,570,000

D FRW 2,570,000 Favorable is not correct because it is calculated on Selling and distribution overheads instead of production overhead

Selling and distribution 10,270,000
LESS actual selling (12,840,000)
Variance (2,570,000)

QUESTION 25

The correct answer is D

Cost type	Budget	Actual	Variance	Comments
Administration overheads	11,560,000	10,470,000	(1,090,000)	Favorable

It is correct as it was calculated based on real data as per above figures

C FRW1,090,000 Adverse is not correct because it was calculated as if it is Adverse instead of Favorable

Budget Administration 11,560,000

LESS actual admn 10,470,000

Variance 1,090,000

FRW2,570,000 Adverse is not correct because it was calculated based on Selling and distribution overheads instead of Administration overheads

Actual selling 12,840,000

LESS budget Selling 10,270,000

Variance 2,570,000

B FRW2,570,000 Favorable is not correct because it is calculated on Selling and distribution overheads instead of Administration overheads

Budgeted Selling 10,270,000

LESS actual selling 12,840,000

Variance (2,570,000)

QUESTION 26

The correct answer is D

The sales manager is responsible for sales performance and revenue generation. While sales variances are reported to the sales manager, income variances are more relevant to the Sales manager and report related to income variances must be reported to him, therefore the option D is correct.

A is not correct because the purchasing manager is responsible for acquiring materials and supplies at the best possible prices. Variance related to purchasing costs (like materials costs) would be reported to the purchasing manager, not income variances.

B is not correct because the production manager oversees the manufacturing process, labor costs, and production efficiencies.

C is not correct because the administration manager typically handles administrative functions such as office operations, HR, and sometimes finance. Income variances related to administrative costs or overheads might be reported to the administration manager, but not significant income variances related to production or sales.

QUESTION 27

The correct answer is D

All of the above. Accounting provides data or information on income and costs for managers to assess performance, financial conditions of the institution through financial statements, and the company's tax liability through accurate recording and reporting of financial transactions. This comprehensive role of accounting supports decision-making and accountability within organizations. therefore, D is the best answer.

A is not correct answer because accounting provides information on income (revenues) and costs (expenses) incurred by the organization. This helps managers understand the profitability of the company, assess performance against budgets or targets, and make decisions regarding operations and resource allocation.

B is not correct answer because accounting also provides information about the financial condition of the institution or organization. This includes the assets owned, liabilities owed, equity position, and overall financial health. Financial statements such as the balance sheet and income statement summarize this information for stakeholders to assess.

C is not correct answer because Accounting plays a crucial role in calculating and reporting a company's tax liability to tax authorities. By accurately recording income, expenses, and other relevant financial data, accounting helps determine taxable income and ensures compliance with tax laws and regulations.

QUESTION 28

The correct answer is D

D is the correct answer as all other statements proceeding are wrong. All options have relationship between financial and management accounting is concerned, therefore none is the answer.

A is not correct answer because financial accounting is concerned with the fact that the credit transaction and invoice is from which supplier while management accounting is concerned with each type of cost represented by each purpose

B is not correct answer because financial accounting is concerned with getting invoice paid while management accounting is concerned with relating such invoice to its cost centers.

C is not correct answer because both financial accounting and management accounting form parts of business's accounting system

QUESTION 29

The correct answer is B

The correct answer is (B) Creditor. Creditors are external users of accounting information because they rely on financial data to assess the organization's ability to repay loans, fulfill obligations, and manage financial risks. They use this information to make decisions regarding lending terms, credit limits, and extending lines of credit to the organization. Creditors -are external parties such as banks, suppliers, or bondholders who lend money or provide goods/services on credit to the organization.

A is not correct because Employees- are generally internal stakeholders who work within the organization. They use financial information internally for performance evaluations, incentive programs, and understanding the company's financial health.

C is not correct because Managers are internal stakeholders who are responsible for planning, organizing, and controlling activities within the organization. While they use accounting information for decision-making and operational management, they are not external users. Managers use accounting information internally to monitor performance, allocate resources, and make strategic decisions.

D is not correct because Business owners or shareholders are typically considered internal stakeholders as they have direct ownership or investment in the organization. They have a vested interest in the financial performance and profitability of the business but are not external users of accounting information.

QUESTION 30

The correct answer is D

Sales campaign directly supports the promotion and distribution of Vayo Ltd.'s fruit drinks to customers, making it a selling and distribution cost. This expense is incurred to enhance sales and expand market reach, aligning with the nature of selling and distribution activities within the company.

A is not correct because is related to the cost of goods sold (COGS) or raw materials used in manufacturing the product (fruit drinks). It is not classified as a selling and distribution cost because it pertains to the cost of goods rather than costs associated with selling and delivering the products.

B is not correct because it is typically categorized as an administrative expense. It supports general operations rather than specific activities related to selling and distribution of products. Therefore, it is not classified as a selling and distribution cost.

C is not correct because it is a financial cost related to financing activities. It is not directly related to selling and distribution activities, so it is not classified as a selling and distribution cost.

QUESTION 31

The correct answer is D

The correct answer is (D) a selling and distribution overhead. Salaries paid to drivers who deliver goods to customers are classified as a selling and distribution overhead because they directly relate to the activities of distributing products to customers. These costs are necessary to ensure goods reach customers efficiently and are thus categorized under selling and distribution expenses in the company's cost structure.

A is not correct because Prime cost includes all direct costs of production, such as direct materials and direct labor directly involved in manufacturing a product. Salaries paid to drivers who deliver goods are not directly involved in the manufacturing process but in the delivery or transportation of finished goods. Therefore, driver salaries are not considered part of prime cost.

B is not correct because Direct production expenses typically include costs directly incurred in the production process, such as direct materials and direct labor. Salaries of drivers delivering

goods are not incurred directly in the manufacturing or production of goods. Hence, they are not classified as direct production expenses.

C is not correct because also known as manufacturing overheads, include indirect costs incurred during the manufacturing process, such as factory rent, utilities, and indirect labor. Salaries paid to drivers delivering goods can be considered a part of production overheads because they indirectly support the production process by transporting finished goods to customers.

QUESTION 32

The correct answer is C

The correct answer is (C) Transport costs to deliver shoes to retailers. Transport costs to deliver shoes to retailers are classified as selling and distribution costs because they directly facilitate the distribution of finished goods (shoes) to customers (retailers). These costs are necessary to ensure that the products reach the market and customers effectively. Therefore, they are directly associated with the selling and distribution activities of Neza Ltd.

A is not correct because leather used to produce shoes is a direct material cost and is part of the cost of goods sold (COGS) or production cost and It is not classified as a selling and distribution cost because it is directly related to the manufacturing process of the shoes.

B is not correct because it is not directly related to selling and distributing shoes to customers but rather a financial expense related to financing activities. Therefore, it is not classified as a selling and distribution cost.

D is not correct because wages are incurred during the manufacturing process and are not directly related to selling and distributing the shoes to customers.

QUESTION 33

The correct answer is B

B is because FRW 10,000 Is the cost of wages of employees making furniture, which is a direct cost. Therefore, option B is correct.

A is not correct answer because FRW 27,000 is total does not match the sum of any of the provided costs (10,000 + 25,000 + 2,000).

C is not correct answer because FRW 25,000 is the cost of non-permanent staff salaries but this is an indirect cost, not a direct cost. Therefore, option C is incorrect.

D it is not correct answer because B is the correct answer

QUESTION 34

The correct answer is C

The correct answer to the question is “C “Prime cost. Prime cost specifically refers to the total of all direct costs incurred in the production process, including direct materials and direct labor. It is a specific term used to denote direct production costs without including indirect costs or finance-related costs. Therefore, prime cost best describes the total of all direct costs among the options provided and consequently is the best answer.

A is not correct answer because the cost of production typically includes both direct and indirect costs associated with manufacturing a product or delivering a service. It encompasses all costs incurred in the production process, not just direct costs.it is not correct because it does encompass all direct costs

B is not correct answer because It does not necessarily encompass all direct costs but specifically those related to goods sold.

D is not correct answer because Finance costs are not related to direct costs in production but rather to the cost of capital and financing. it is not correct because it does encompass all direct costs

QUESTION 35

The correct answer is C

Answers: C is correct answer because it was correctly calculated as follow:

The fixed costs can be determined as follows. (Total cost at high activity level) – (total units at high activity level × variable cost per unit)

Description	Units	RWF'000
High output	1100	18300
Low output	700	13500
Variable cost	400	4800

Variable cost per unit= $\text{RWF}4,800,000/400=\text{FRW}12,000$ per unit

Fixed costs= $\text{FRW} 18,300,000-(\text{FRW}12,000\times 1,100) =\text{FRW}5,100,000$

A is not correct answer because it is the total cost for an activity of 700 units

B is not correct answer because is the total variable cost for 1,100 units ($1,100 \times \text{RWF}12,000$)

D is not correct answer because it is the difference between the costs incurred at the two activity levels recorded.

QUESTION 36

The correct answer is B

Profit center is A business segment whose manager has control over both cost and revenue but not investment funds

A is not correct because a business segment whose manager has control over costs but not over revenue or investment funds, has stated that no control over revenue yet it is.

C is not correct because a business segment whose manager has control over cost, revenue and investments, profit center does not have control over investments. it is not correct it doesn't provide the true meaning of profit center.

D is not correct answer because point B is the only correct answer.

QUESTION 37

The correct answer is D

The code 120/075 represents sales of football shirts which falling under 120 as cost code and 075 sportswear, therefore D is the best answer

A is not correct because 120/085 represents sale of leisure wear and therefore is not the correct answer

B is not correct because 230/160 represents direct cost and therefore is not the correct answer

C is not correct because 230/170 represents indirect cost and therefore is not the correct answer

QUESTION 38

The correct answer is C

This code 230/160 represents direct cost related to production, therefore C is the best answer

A is not correct because 230/170 represents indirect cost and therefore is not the correct answer

B is not correct because 120/085 represents sales of leisure wear therefore is not the correct answer

D is not correct because 120/075 represents sale of sportswear and therefore is not the correct answer

QUESTION 39

The correct answer is C

Date	Receipts			Issues			Balance		
	Quantity	Price	Value	Quantity	Price	Value	Quantity	Price	Value
1-Jun	2,000	450	900,000				2,000	450	900,000
	1,500	400	600,000				2,000	450	900,000
							1,500	400	600,000
25-Jun							3,500		1,500,000
				1,500	400	600,000			
5-Jul				300	450	135,000	1,700	450	765,000
	700	380	266,000			-	1,700	450	765,000
1-Aug							700	380	266,000
							2,400		1,031,000
25-Sep				700	380	266,000			
				500	450	225,000	1,200	450	540,000
	500	370	185,000			-	1,200	450	540,000
20-Nov							500	370	185,000
							1,700		725,000
25-Dec				500	370	185,000			
				100	450	45,000	1,100	450	495,000

The value of closing stock is $1100\text{kgs} \times 450 = \text{FRW}495,000$

Other options are not correct.

A is not correct because

A is not the correct answer because it considered 1100kgs, which was valued at the wrong price of $500 = \text{FRW} 550,000$

B is not the correct answer because it has considered correct price per unit but the wrong quantity $2000 \times 450 = \text{FRW} 900,000$

D is not correct because it doesn't consider LIFO method $(600 \times 380) + (500 \times 370) = \text{FRW} 413,000$

QUESTION 40

The correct answer is A

The value of cost of goods sold = Opening stock + purchase - closing stock or summation of issues at purchase cost

$900,000 + 600,000 + 266,000 + 185,000 - 495,000 = \text{FRW}1,456,000$ or $600,000 + 135,000 + 266,000 + 185,000 = \text{FRW}1,456,000$ therefore A is the correct answer.

$600,000 + 266,000 + 185,000 = 1,051,000$ (Total Purchases)

B is not the correct answer because it was wrongly calculated as $\text{FRW}1,401,000 = 900,000 + 1,051,000 - 550,000 = \text{FRW}1,401,000$ used wrong figure of closing stock

C is not the correct answer because it was wrongly calculated as $\text{FRW}1,051,000 - 900,000 + 1,051,000 - 900,000 = \text{FRW}1,051,000$ used wrong figure of closing stock

D is not correct because it was wrongly calculated as $\text{FRW}1,538,000 - 900,000 + 1,051,000 - 413,000 = \text{FRW}1,538,000$ used wrong figure of closing stock

QUESTION 41

Correct answer is B

Gross profit = Total sales - cost of goods sold

Total Sales $(1800 \times 460) + (1200 \times 440) + (600 \times 430) = 828,000 + 528,000 + 258,000 = \text{FRW}1,614,000$ cost of goods sold

$\text{FRW}1,456,000$ **Gross profit**

$\text{FRW}158,000$

Other options are not correct

A is not correct answer because it was wrongly calculated as $1,614,000 - 1,401,000 = \text{FRW}213,000$ used wrong figure of cost of goods

C is not correct answer because it was wrongly calculated as $1,614,000 - 1,051,000 = \text{FRW}563,000$ used wrong figure of cost

D FRW 76,000 calculated as $1,614,000 - 1,538,000 = \text{FRW } 76,000$ used wrong figure of cost of goods sold

QUESTION 42

The correct answer is D

The first materials issued will be priced at the cost of the earliest goods still in inventory. This correctly describes FIFO, where the oldest costs are assigned to the first items issued. Therefore, it is the best answer.

A is not correct because the statement describes the Last-In, First-Out (LIFO) method, not FIFO. Under LIFO, the most recently received materials are issued to production first. Therefore, this option is incorrect.

B is not correct because the statement is also describing the LIFO method, where the cost of the most recent materials received is used for pricing issues.

C is not correct because the statement implies that the materials received last will be the last ones to be used. This is consistent with the FIFO method, where the earliest materials received are used first, leaving the most recently received materials to be issued last. Therefore, this option is correct.

QUESTION 43

Correct answer is A

Dividing the total cost of goods by the total number of goods over a specific accounting cycle. This is the correct formula for the average-cost method. It involves summing the total cost of goods available for sale and then dividing this by the total number of goods available for sale.

B is not the correct answer because it reverses the components of the formula and doesn't logically represent the calculation of an average cost.

C is not the correct answer because (A and B are Correct) this is incorrect because only option A provides the correct formula.

D is incorrect answer because option A is correct

QUESTION 44

The correct answer is A

The time-rate payment method involves paying employees a fixed rate per hour worked. This is straightforward and aligns with the description provided, where employees are paid based on the number of hours they work. Therefore, the correct answer is A. Time-rate.

Other options are not correct

B is not correct because it includes a base pay for hours worked (time-rate) plus additional bonuses based on performance or other criteria. The description does not mention any bonuses, so this option is not applicable.

C is not correct answer because it involves paying employees based on the amount of work they complete or the number of units they produce, rather than the time they spend working. This does not match the given description of payment based on hours worked.

D is not correct answer because it is based on output rather than hours worked, making it an incorrect match for the described scenario.

QUESTION 45

The correct answer is A

A i, ii, and iv only-Correct. Gross pay (i), income tax (ii), and employee's social security contributions (iv) all directly reduce the amount the employee takes home as net pay. Therefore, the correct answer is A. i, ii, and iv only.
other options are not correct

B i, ii, and iii only-Incorrect. Employer's social security contributions (iii) do not affect the employee's net pay directly.

C i and ii only-Incorrect. This option omits the employee's social security contributions (iv), which directly affect net pay.

D i, ii, iii, and iv-Incorrect. Employer's social security contributions (iii) do not directly affect the employee's net pay.

QUESTION 46

The correct answer is A

i and iii only-Correct. Gross pay (i) and the employer’s social security contributions (iii) are both costs to the employer. Therefore, the correct answer is A. i and iii only.

B) is not correct because gross pay (i) is a cost to the employer, employee’s social security contributions (iv) are deducted from the employee’s gross pay, not an additional cost to the employer.

C is not correct because income tax (ii) and employee’s social security contributions (iv) are deducted from the employee’s gross pay, so they are not direct costs to the employer. Employer’s social security contributions (iii) are a cost to the employer.

D is not correct because this option includes all elements, but income tax (ii) and employee’s social security contributions (iv) are not costs to the employer.

QUESTION 47

The correct answer is C

	options	comments
	A	
Admn cons	4,751,000	
Add Variance admn	236,000	
Prod budget	4,987,000	This is the correct answer this is not correct. It considers variance as Favorable instead of ADVERSE
	B	
Sales and dist	8,407,000	
LESS	109,000	
Prod budget	8,298,000	this is not correct. It considers sales and distribution labour instead of sales and distribution
	C	

Admn cons	4,751,000	
LESS ADD Var admn	236,000	
Prod budget	4,515,000	this the correct answer. variance is adverse which means that the actual cost is more than the budgeted cost
Product overhead	12,256,000	
LESS prod overhead	52,000	
Prod budget	12,204,000	this is not correct. It considers production overhead instead of administration consumables instead of ADVERSE

QUESTION 48

Correct answer is C

	options	comments
	A	
Admn cons	4,751,000	
ADD Var on Admn	236,000	
Budget	4,987,000	this is not correct. It considers variance as Favorable instead of ADVERSE
	B	
Actual sales	8,407,000	
LESS sales var	109,000	
Budget	8,298,000	this is not correct. It considers sales and distribution labour instead of sales and distribution
	C	
Admn cons	4,751,000	
LESS var adm	236,000	

Budget	4,515,000	this the correct answer. variance is adverse which means that the actual cost is more than the budgeted cost
	12,256,000	
LESS var prod	52,000	
Budget	12,204,000	this is not correct. It considers production overhead instead of administration consumables instead of ADVERSE

QUESTION 49

The correct answer is A

A. Is correct because

Statement 1: An adverse variance means actual costs are greater than budgeted costs, is True.
 An adverse (or unfavorable) variance indicates that the actual costs have exceeded the budgeted or planned costs. This suggests higher spending than anticipated, which is typically considered negative.

Statement 2: A favorable variance means budgeted costs are greater than actual costs, is True.
 A favorable variance occurs when the actual costs are less than the budgeted or planned costs. This suggests lower spending than anticipated, which is typically considered positive.

Therefore, this option is correct.

B is not the correct answer because A is the best answer.

C is not the correct answer because A is the best answer

D is not the correct answer because A is the best answer

QUESTION 50

The correct answer is C.

Because it was calculated based on real figure $(30,000,000 - 20,000,000) = \text{FRW}10,000,000$ as they expensed more amount his is Adverse

Cost type	Budgeted cost	Actual cost	Variance	Comments
	FRW	FRW		
Materials	30,000,000	10,000,000	-20,000,000	Favorable

Labour	20,000,000	30,000,000	10,000,000	Adverse
Production overheads	20,000,000	10,000,000	-10,000,000	Favorable

A is not correct because it was calculated on Materials cost instead of Labor cost

B is not correct because it was calculated on Production overhead instead of Labor cost

D is not correct because C is the correct answer

End of Marking Guide and Model Answers