



CERTIFIED ACCOUNTING TECHNICIAN

STAGE 1 EXAMINATIONS

S1.2: PRINCIPLES OF COSTING

DATE: MONDAY 26, AUGUST 2024

INSTRUCTIONS:

1. Time Allowed: **2 hours and 30 minutes.**
2. This examination has one section only: Section A
Section A has 50 compulsory multiple-choice questions equal to 2 marks each.
3. The question paper should not be taken out of the examination room.

SECTION A

QUESTION 1

Businesses can vary widely in size, scope, and legal structure. They typically involve activities such as production, marketing, sales and finance, all aimed at fulfilling market needs and generating revenue. **Which one of the following is a true characteristic of the sole trade form of business?**

- A Unlimited liability
- B Indirect control of business activity
- C No assistants are employed
- D Only one assistant is employed

(2 Marks)

QUESTION 2

An organization called Habiyambere company Ltd produces papers to the whole market in Kigali, **Which among the following is the best answer to describe the type of Habiyambere company Ltd' Business?**

- A Manufacturing organisations
- B Retail organisations
- C Services organisations
- D None of the above

(2 Marks)

QUESTION 3

The following are examples of the purpose of accounting except

- A Recording financial transactions
- B Decision-Making
- C Monitoring and controlling
- D Hiring required employees

(2 Marks)

QUESTION 4

What is the main objective of management accounting among the following?

- A To identify and analyze the result of business operations
- B To verify supporting documents before payment
- C To check and maintain accounting records
- D To remind the amount due to customers

(2 Marks)

QUESTION 5

Dusabe Company Ltd is located in Kigali near Main round about. **Which of the following would not be considered an internal user of accounting data for Dusabe Company Ltd?**

- A President of the company
- B Production manager
- C Merchandise inventory clerk
- D City Labour inspector

(2 Marks)

QUESTION 6

Organizations need to keep track of their assets and find ways to maximize their performance to save money. Proper management of assets also assures that stakeholders of their business get the best returns and stay with them in the long run. **Expenditures incurred to acquire fixed assets are called?**

- A Revenue expenditures
- B Prepaid expenses
- C Capital expenditures
- D Outstanding expenses

(2 Marks)

QUESTION 7

Interest on a loan is categorized under which cost classification among the following?

- A Expenses
- B Labour
- C Materials
- D None of the above

(2 Marks)

QUESTION 8

An expense is the cost of operations that a company incurs to generate revenue. It is simply defined as the cost required to spend on obtaining something. **Which of the following is not a direct expense?**

- A Raw material
- B Freight and shipping costs to the production site
- C Manufacturing supplies
- D Administrative staff salary

(2 Marks)

QUESTION 9

Kwizera has started a business in January 2024. the following is the summary of the expense for the month of June 2024.

- i) Direct cost FRW 100,000
- ii) Direct labour FRW 80,000
- iii) Other operating expenses FRW 3,000
- iv) Direct expenses FRW 5,000

In regard to the above costs **what would be the prime cost?**

- A FRW188,000
- B FRW 183,000
- C FRW100,000
- D FRW185,000

(2 Marks)

QUESTION 10

IKIBAMBA Ltd makes guitars in Kigali since 2009. **Which of the following would be classified as a selling and distribution cost on guitar?**

- A Salaries of craftsmen making the guitar
- B Advertising the guitar in the city tourist information shop
- C Wages of the bookkeeper
- D Interest charged on business overdraft

(2 Marks)

QUESTION 11

The following are the monthly costs for XYZ Corporation: Factory Rent: FRW 5,000; Employee salaries: FRW 8,000; Casual labor: FRW 12,000; non-regular Consultancy fees: FRW 2,000. **What it is monthly total fixed cost?**

- A FRW 13,000
- B FRW 5,000
- C FRW 27,000
- D None of the above

(2 Marks)

QUESTION 12

Profit describes the financial benefit realized when revenue generated from a business activity exceeds the expenses, costs, and taxes involved in sustaining the business. **A profit center is a center?**

- A Where the manager has the responsibility of generating and maximizing profits
- B Which is concerned with using generated profit in employee well being
- C Both of A and B
- D Which manages cost

(2 Marks)

QUESTION 13

Cost unit is defined as?

- A Unit of quantity of product, service or time in relation to which costs may be ascertained or expressed
- B A location, person or an item of equipment or a group of these for which costs are ascertained and used for cost control.
- C Centers having the responsibility of generating and maximizing profits
- D Centers concerned with earning an adequate return on investment

(2 Marks)

QUESTION 14

Among the following choose the best answer for elements of Cost of a product?

- A Material only
- B Labour only
- C Quality control inspection cost
- D All of the above

(2 Marks)

QUESTION 15

The production process refers to the steps followed to convert an input into an output. It involves utilizing and combining economic resources like land and capital and processing them to provide products and services for consumers. **Which of the following items of inventory would be classed as work in progress?**

- A Bricks at a brick making factory
- B Bricks in the warehouse at a building material company
- C The ingredients for making bricks held in stores
- D A brick that has been molded but not fired in the kiln

(2 Marks)

QUESTION 16

The following are documents used in stock record except?

- A Store card
- B Delivery note
- C Notebook
- D Purchase order

(2 Marks)

QUESTION 17

Among the following, which one the best usage of store card?

- A To record quantities received only
- B To record non current assets aquired by the company only
- C To record store movement (in and out)
- D None of the above

(2 Marks)

QUESTION 18

Under FIFO Method, which one among the following was the value of stock as at 25th January 2023?

- A FRW 280
- B FRW 150
- C FRW 100
- D FRW 450

(2 Marks)

The following information relates to questions 18 and 19.

The followings are the detailed purchases and sales made by KAMARI Ltd in January 2023:

- January 1 Purchased 5 Markers @ FRW 50 each
- January 5 issued 2 Markers
- January 10 issued 1 Marker
- January 15 Purchased 5 Markers @ FRW 70 each
- January 25 issued 3 Markers.

QUESTION 19

Inventory valuation is an accounting practice that is followed by companies to find out the value of unsold inventory stock at the time they are preparing their financial statements. **Which one out of the following is not an inventory valuation method?**

- A FIFO
- B LIFO
- C Weighted Average
- D EOQ

(2 Marks)

QUESTION 20

AMUNI Ltd has recently opened a manufacturing processing plant where different health facilities are manufactured. **Which among the following is a Labour cost?**

- A Administration expenses
- B Fuel for all company staff
- C salary of plant technician
- D Advertisement for recruitment

(2 Marks)

QUESTION 21

A job is budgeted to require 3,300 productive hours after incurring 25% idle time. If the total Labour cost budgeted for the job is FRW 36,300? **What is the Labour cost per hour (to the nearest cent)**

- A FRW 8.25
- B FRW 4,400
- C FRW 0.12
- D FRW 36,300

(2 Marks)

QUESTION 22

Which of the following is true of a straight piecework system?

- A It is based on providing end-of-year bonuses when the organization performs well
- B It is a system where rate determination is based on units of production per time period
- C It is a complex system where employees are paid on their age
- D It is a system where standards are based on time per unit

(2 Marks)

Below data relate to question 23, question 24 and question 25.

KAJYRI Ltd is a local company located Kigali since 1990. KAJYRI Ltd has produced a report detailing budgeted and actual costs for the year ended 31st December 2023. In analysis of their record Favorable(F) Adverse (A) terms are used.

Cost type	Budget	Actual
	FRW	FRW
Materials	52,480,000	51,940,000
Labour	65,920,000	67,370,000
Production overheads	34,340,000	35,680,000
Selling and distribution overheads	10,270,000	12,840,000
Administration overheads	11,560,000	10,470,000

QUESTION 23

What is the Labour variance for the year?

- A FRW 540,000 Adverse
- B FRW 540,000 Favorable
- C FRW 1,450,000 Adverse
- D FRW 1,450,000 Favorable

(2 Marks)

QUESTION 24

What is the production overhead variance for the year?

- A FRW 1,340,000 Adverse
- B FRW 1,340,000 Favorable
- C FRW 2,570,000 Adverse
- D FRW 2,570,000 Favorable

(2 Marks)

QUESTION 25

What is the administration overhead variance for the year?

- A FRW 2,570,000 Adverse
- B FRW 2,570,000 Favorable
- C FRW 1,090,000 Adverse
- D FRW 1,090,000 Favorable

(2 Marks)

QUESTION 26

In general business operations, sales refer to any transactions where money or value is exchanged for the ownership of a good or entitlement to a service. **Which of the following managers would a significant income variance be reported to?**

- A Purchasing manager
- B Production manager
- C Administration manager
- D Sales manager

(2 Marks)

QUESTION 27

Accounting process involves summarizing, reporting and analyzing the information to be used by various users of accounting information. **Accounting provides data or information on?**

- A Income and cost for the managers
- B Financial conditions of the institutions
- C Company's tax liability for a particular year
- D All the above

(2 Marks)

QUESTION 28

Financial accounting is the recording and presentation of information for the benefit of the various stakeholders of an organization. Management accounting, on the other hand, is the presentation of financial data and business activities for the internal management of the organization. **Which of the statement is not true as far as relationship between financial and management accounting is concerned?**

- A 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 Financial accounting is concerned with getting invoice paid while management accounting is concerned with relating such invoice to its cost centers
- C Both financial accounting and management accounting form parts of business's accounting system
- D None of the above

(2 Marks)

QUESTION 29

Accounting is important as it keeps a systematic record of the organization's financial information. Up-to-date records help users compare current financial information to historical data. With full, consistent, and accurate records, it enables users to assess the performance of a company over a period of time. Among the following, **who is the external user of accounting information?**

- A Employee
- B Creditor
- C Production Manager
- D Business owner

(2 Marks)

QUESTION 30

Vayo Ltd produces fruit drinks since 2018 in Kigali and is planning to increase the market outside the country. As per the nature of Vayo Ltd service, **which of the following would be classed as a selling and distribution cost?**

- A Fruit purchased for use in drinks
- B Stationery provided to all departments
- C Interest charged on bank loan
- D Sales campaign

(2 Marks)

QUESTION 31

EJO Ltd has different customers in the country and has decided to employ many employees who are facilitating the company's day to day operations. Ejo Ltd employs three drivers to deliver goods to its customers. **The salaries paid to these drivers are?**

- A A part of prime cost
- B A direct production expense
- C A production overhead
- D A selling and distribution overhead

(2 Marks)

QUESTION 32

Habimana and January are owners of Neza Ltd since 1st January 2023. Neza Ltd manufactures shoes. **Which of the following would be classed as a selling and distribution cost?**

- A Leather to produce shoes
- B Bank overdraft interest
- C Weighted average pricing Transport costs to deliver shoes to retailers
- D Wages of employees producing shoes

(2 Marks)

QUESTION 33

Nyabisindu Ltd is a company located in Bugesera District since 2020. Nyabisindu Ltd manufactures wooden furniture (made in Rwanda) products. Mr. Eric is their Finance Manager who advised the company to manage Labour costs by classifying transaction by nature.

The following costs were incurred: Wages of the employees making furniture FRW10,000, salaries for non permanent staff FRW25,000, salaries of casual guards FRW2,000

According to that, **what would be total direct cost?**

- A FRW27,000
- B FRW10,000
- C FRW25,000
- D None of the above

(2 Marks)

QUESTION 34

The success of any business, big or small, depends on its ability to manage costs. As a small business owner, you may face challenges in cutting costs while still providing high-quality goods and services. **A total of all the direct costs is known as?**

- A Cost of production
- B Cost of sales
- C Prime cost
- D Finance cost

(2 Marks)

QUESTION 35

In recent two years, Kabayiza Ltd has recorded the following data:

Total costs of production	Volume of production
FRW'000	Units
13,500	700
18,300	1,100

What is the best estimate of the company's fixed costs per period?

- A FRW 13,500,000
- B FRW 13,200,000
- C FRW 5,100,000
- D FRW 4,800,000

(2 Marks)

QUESTION 36

Mr. Rubayiza has a company which has different centers like Cost, revenue, profit and investment centers. **Which of the following correctly describes a profit center?**

- A A business segment whose manager has control over costs but not over revenue or investment funds
- B A business segment whose manager has control over both cost and revenue but not investment funds
- C A business segment whose manager has control over cost, revenue and investments
- D All of the above

(2 Marks)

The following information relates to question 37 and question 38

Fitness Ltd produces and sells sports and leisurewear. It uses a numerical coding structure based on one profit center and three cost centers as outlined in the first four columns of the table below. The full code has cost and sub code and each transaction will be coded as “cost code/sub code”.

Profit/Cost center	Cost code	Sub-classification	Sub-code
Sales	120	Sportswear	075
		Leisurewear	085
		Direct cost	160
Production	230	Indirect cost	170
Administration	340	Direct cost	255
		Indirect cost	265
		Direct cost	340
Selling and distribution	450	Indirect cost	350

QUESTION 37

Assume you are an accountant of Fitness Ltd, **what is the code for sales of football shirts?**

- A 120/085
- B 230/160
- C 230/170
- D 120/075

(2 Marks)

QUESTION 38

Assume you are an accountant of Fitness Ltd. **What is the code for cotton used in leisure shirts?**

- A 230/170
- B 120/085
- C 230/160
- D 120/075

(2 Marks)

The following information relates to questions 39, 40 and 41

The purpose of the inventory is to provide a buffer between production and sales, smoothing out the flow of goods and ensuring that products are available when customers order them. Harahiye Ltd is a company which deals with the supplying rice to different institutions during the last semester ending 2023. The following data were recorded about their stock movement:

Balance as at 1st June 2023 was 2000kgs of rice at FRW 450 each
On 25th June Harahiye Ltd purchased additional 1500kgs at FRW 400 each
On 5th July 2023 sold to Mburabuto school 1800kgs at FRW 460 each
On 1st August 2023 purchased 700kgs at FRW 380 each
On 25th September 2023 sold to Rukomo school 1200 kgs at FRW 440 each
On 20th November 2023 purchased 500 kgs at FRW 370 each
On 25th December 2023 sold 600kgs at 430 each

QUESTION 39

What was the value of closing stock for the last semester using LIFO valuation method?

- A FRW 550,000
- B FRW 900,000
- C FRW 495,000
- D FRW 413,000

(2 Marks)

QUESTION 40

What was the value of cost of goods sold?

- A FRW 1,456,000
- B FRW 1,401,000
- C FRW 1,051,000
- D FRW 1,538,000

(2 Marks)

QUESTION 41

What was the gross profit for the last semester using LIFO valuation method?

- A FRW 213,000
- B FRW 158,000
- C FRW 563000
- D FRW 76,000

(2 Marks)

QUESTION 42

Stock valuation is a way to determine the value of the shares of a company and whether they are fair, over-valued, or under-valued. A company uses the first-in, first-out (FIFO) method to price issues of raw material to production and to value its closing inventory. **Which of the following statements best describes the first-in, first-out method?**

- A The last materials received will be the first issued to production
- B The first materials issued will be priced at the cost of the most recently received materials
- C The last materials issued will be those that were most recently received
- D The first materials issued will be priced at the cost of the earliest goods still in inventory

(2 Marks)

QUESTION 43

Stock valuation in finance refers to the valuation method of calculating and estimating the actual value of the stock in the market. The primary purpose of this valuation method is to define whether a particular stock is either underrated or overrated compared to its market value. **Which among the following is the correct formula of average-cost method as of stock valuation method?**

- A Dividing the total cost of goods by the total number of goods over a specific accounting cycle
- B Dividing the total by the total number of goods by cost of goods over a specific accounting cycle
- C A and B are correct
- D None of the above

(2 Marks)

QUESTION 44

Juwa Ltd pays its employees-based hours worked. **What type of payment method is this?**

- A Time-rate
- B Time-rate plus bonus
- C Piecework
- D Differential piecework

(2 Marks)

The following information relates to Question 45 and question 46

Payroll is the compensation a business must pay to its employees for a set period and on a given date. These are all elements of payroll costs: s

- iGross pay
- ii Income tax
- iiiEmployer's social security contributions
- ivEmployee's social security contributions

QUESTION 45

Which of the above affect the employee's net pay?

- A i, ii and iv only
- B i, ii and iii only
- C i and ii only
- D i, ii ,iii and iv

(2 Marks)

QUESTION 46

Which of the above costs are costs to the employer?

- A i and iii only
- B i and iv only
- C ii,iii and iv only
- D i,ii,iii and iv

(2 Marks)

The following information relates to questions 47 and 48.

Cost	Actual cost	Variance	Comments
	FRW	FRW	
Production overheads	12,256,000	52,000	Favorable
Sales and distribution labour	8,407,000	109,000	Adverse
Administration consumables	4,751,000	236, 000	Adverse

QUESTIONS 47

What was the production overhead budget for the period (in FRW)?

- A FRW 12,308,000
- B FRW 8,298,000
- C FRW 4,515,000
- D FRW 12,204,000

(2 Marks)

QUESTION 48

What was the administration consumables budget for the period? (in FRW)

- A FRW 4,987 ,000
- B FRW 8,298,000
- C FRW 4,515,000
- D FRW 12,204,000

(2 Marks)

QUESTION 49

A budget refers to an estimation of revenue and expenses that's made for a specified future period of time. Budgeting usually occurs on an ongoing basis, with individual budgets being re-evaluated regularly. Are the following statements true or false?

1. An adverse variance means actual costs are greater than budgeted costs
2. A favorable variance means budgeted costs are greater than actual costs

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

(2 Marks)

QUESTION 50

The following is the information of AHG Ltd

Cost type	Budgeted cost	Actual cost
	FRW	FRW
Materials	30,000,000	10,000,000
Labour	20,000,000	30,000,000
Production overheads	20,000,000	10,000,000

How much is the variance on Labor cost?

- A 20,000,000 Favorable
- B 10,000,000 Favorable
- C 10,000,000 Adverse
- D None of the above

(2 Marks)

End of question paper