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**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATION**

S2.2: MANAGING COST AND CASHFLOWS

DATE: THURSDAY, FEBRUARY 2024

MARKING GUIDE AND MODEL ANSWERS

Marking guide

QUESTION	CORRECT CHOICE	MARKS AWARDED	QUESTION	CORRECT CHOICE	MARKS AWARDED
1	A	2	31	B	2
2	D	2	32	A	2
3	C	2	33	B	2
4	A	2	34	D	2
5	A	2	35	B	2
6	A	2	36	D	2
7	A	2	37	C	2
8	D	2	38	B	2
9	B	2	39	A	2
10	A	2	40	D	2
11	C	2	41	C	2
12	B	2	42	D	2
13	A	2	43	A	2
14	C	2	44	B	2
15	C	2	45	C	2
16	C	2	46	A	2
17	B	2	47	D	2
18	C	2	48	C	2
19	A	2	49	B	2
20	C	2	50	A	2
21	C	2			
22	A	2			
23	D	2			
24	C	2			
25	C	2			
26	D	2			
27	D	2			
28	C	2			
29	D	2			
30	A	2			
For each Correct choice awards					2 Marks
Total marks awarded					100

Model Answers

QUESTION ONE

The correct answer is A

Description	Unit	Amount
Highest production	70,000	960,000,000
Lowest Production	40,000	600,000,000
Change	30,000	360,000,000
Variable cost per unit (360,000,000/30,000)		12,000

B Is not correct because this is total cost per unit of the highest production

C Is not correct because this is total cost per unit of the Lowest production

D Is not correct because this average of the cost per unit of highest and lowest production

QUESTION TWO

The correct answer is D

A, B and C are direct costs

QUESTION THREE

The correct answer is C

Description	Unit	Amount
Total cost for Highest production	70,000	FRW 960,000,000
Total Variable cost	70,000	FRW 840,000,000
Total Fixed cost	N/A	FRW 120,000,000

A Is not correct because this is total variable cost for the lowest production FRW 480,000,000 (FRW 12,000*40,000)

B Is not correct this is total variable cost for the highest production FRW 840,000,000 (FRW 12,000*70,000).

D Is not correct because this is a total cost of the lowest production

QUESTION FOUR

The correct answer is A because improving the capacity of non-current assets is capital expenditure.

B, C and D are not correct because those are the revenue expenditures.

QUESTION FIVE

The correct answer is A

Description	Amount/Hours
Hours worked per day	8
Days per week	7
Number of weeks	3
Total hours worked (8*7*3)	168
Time saved in hours (168*30/60)	84
Bonus per hour (84*FRW 6,000)	504,000

B Is not correct because this is normal pay instead of time saved (168*FRW 6,000)

C Is not correct because this is normal pay for one week (8*7*FRW 6,000)

D Is not correct because this is normal pay per three days (8*3*FRW 6,000)

QUESTION SIX

The correct answer is A

Description	Department X	Department Y
Insurance of equipment (cost*110M or 90M/200M)	27,500,000	22,500,000
Repair of buildings (Cost*1200 or 800/2000)	18,000,000	12,000,000
Heating and lighting (Cost*4000 or 8000/12000)	5,000,000	10,000,000
Total Overhead	50,500,000	44,500,000

B Is not correct because this is insurance allocated to department Y((FRW50,000,000*110/200m)

C Is not correct because this is allocated cost for repair of building.

D Is not correct because this is total cost for two department not for only department X

QUESTION SEVEN

The correct answer is A (Refer to answer of Question Six)

B Is not correct because this is total overhead for department X

C Is not correct because it does not consider allocated overhead for heating and lighting (FRW 22,500,000+ FRW 12,000,000)

D Is not correct because it does not consider allocated overhead for repair of building (FRW 22,500,000+FRW 10,000,000).

QUESTION EIGHT

The correct answer is D Allocation of overhead costs is the process of assigning whole items of cost-to-cost centers. It is the first stage in the absorption costing process.

A is not correct because this is apportionment

B Is not correct because this absorption costing process

C Is not correct because this job costing

QUESTION NINE

The correct answer is **B**

Description	FRW Amount
Total Variable Cost FRW 2000*4000	8,000,000
Total Fixed cost	10,000,000
Total Production cost	18,000,000
Profit margin	5,400,000
Total selling price of production	23,400,000

A Is not correct because this is total cost not selling price

C Is not correct because This is variable cost-plus profit (FRW 8000,000*130%)

D Is not correct because the correct answer is B

QUESTION 10

The correct answer is **A cost plus pricing** is a method of determining the sales price by calculating the full cost of a product and adding a percentage mark-up for profit.

B Is not correct because this is Job costing

C Is not correct because This is batch costing

D Is not correct because this is service costing

QUESTION 11

The correct answer is **C**

Description	Unit	Amount
Actual sales	925	18,500,000
Budgeted Sales	900	17,500,000
Sales revenue Variance		950,000 F

A Is not correct because actual sales is greater than budgeted sales therefore variance is favorable.

B and D is not correct because actual sales are wrong as the price used to compute actual sales is for budgeted. FRW 487,500 (925*19,500) -(900*19,500)

QUESTION 12

The correct answer is B

Description	Amount
Actual material cost	147,200
Actual units	920
Actual material price per unit	160
Standard price	150
Price variance	10
Total material price variance	9,200

A Is not correct because this is actual price was greater than standard price therefore this is advance variance.

C and D is not correct because those are the material usage variance not price variance.

QUESTION 13

The correct answer is A

Description	Amount/Units
Selling Price per unit	11,000
Variable cost per unit	5,000
Contribution per unit	6,000
Fixed Cost	250,000,000
Break-even point in units	41,667 Units

B Is not correct because this is budgeted sales volume

C Is not correct because This is margin of safety units

D Is not correct because the correct answer is A

QUESTION 14

The correct answer is C

Description	Amount/%
Contribution ratio (FRW 11,000-5,000)/11,000	55%
Fixed cost	250,000,000
Break-even point in value	458,333,333

A Is not correct because this is margin of safety in value

B Is not correct because This is budgeted sales value

D Is not correct because this is total contribution value

QUESTION 15**The correct answer is C**

Description	Amount/Units
Contribution per unit	6,000
Targeted units	90,000
Total targeted contribution (90,000*FRW 6,000)	540,000,000
Fixed Cost	250,000,000
Targeted Profit (540,000,000-250,000,000)	290,000,000

A is not correct because this is fixed cost per unit

B Is not correct because This is total targeted contribution

D Is not correct because this is total targeted sales value

QUESTION 16**The correct answer is C**

Margin of safety in Unit=Budgeted sales volume minus break-even point units 38,333 Units
(80,000 Units-41,667 units).

A Is not correct because this is break-even point in units

B Is not correct because This is targeting sales volume to achieve FRW 290,000,000 profit

D Is not correct because the correct answer is C

QUESTION 17**The correct answer is B**

A, C and D are all correct statements about limiting factor

QUESTION 18**The correct answer is C**

A, B and D are all correct about Net present value

QUESTION 19**The correct answer is A**
 $PV = \text{Amount} * (1+i)^{-n}$ therefore $FRW 6,000,000 * (1+5\%)^{-3}$ which is $FRW 5,183,026$
B Is not correct because this is present value for send year $FRW 6,000,000 * (1+5\%)^{-2}$ which is $FRW 5,442,177$.C Is not correct because this is present value for first year $FRW 6,000,000 * (1+5\%)^{-1}$ which is $FRW 5,714,286$.

D Is not correct because the correct answer is A

QUESTION 20

The correct answer is C

NPV = PV of cashflow – Initial capital which is $\text{Amount} \times (1 - (1+i)^{-n}) / i$ - investment

FRW $(50,000,000 \times (1 - (1+10\%)^{-7}) / 10\%) - \text{FRW } 30,000,000$ therefore the answer is negative

NPV FRW 56,579,059.

A Is not correct because this is Total non-discounted cash inflow minus investment $((\text{FRW } 50,000,000 \times 7) - \text{FRW } 30,000,000)$.

B Is not correct because this is present value of cash inflow $\text{FRW } 50,000,000 \times (1 - (1+10\%)^{-7}) / 10\%$ which is FRW 243,420,941

D Is not correct because investment have been discount for one as well.

QUESTION 21

The correct answer is C

A, **B** and **D** are not correct because those have advantage of time series in the combination which was (v)

QUESTION 22

The correct answer is **A** “**Exceptional items** are income or payments that are unusual and do not occur in the normal course of business”

B Is not correct because Exceptional items will be those which **do not** normally occur in the course of the business.

C Is not correct because Exceptional items are those items which have **not** been incurred regularly in the past and are not expected to occur regularly in the future

D Is not correct because option A is correct

QUESTION 23

The correct answer is **D** because the management and reduction of risk is a fundamental issue in all definitions of good governance; whether explicitly stated or merely implied.

A, **B** and **C** are key elements in corporate governance.

QUESTION 24

The correct answer is **C** because only (iii) and (iv) are correct statements

A Is not correct because the responsibility of formulating and implementing monetary policy is not for commercial banks, it is for nation bank of Rwanda.

B Is not correct because Consumer price index is main measure for inflation used by national bank of Rwanda not commercial banks.

D Is not correct because (i) and (ii) are not correct statements.

QUESTION 25

The correct answer is **C** because Bailor/Bailee relationship is relationship between customer and bank concerns the bank accepting the customer's property for storage in its safe deposit.

A Is not correct because this is Mortgagor/mortgagee relationship.

B Is not correct because this is Fiduciary relationship.

D Is not correct because Principal/agent relationship.

QUESTION 26

The correct answer is **D**

Description	Amount	Description	Amount
Fund to invest	500,000,000	Previous sales	700,000,000
Interest from deposit (500M*10%)	50,000,000	Increase in sales(700M*15%)	105,000,000
With holding tax (50M*15%)	7,500,000.00	Contribution (105M*60%)	63,000,000
Net benefit (50M-7.5M)	42,500,000	Loss from Defaulters	14,000,000
		Net Benefit (63M-14M)	49,000,000

A Is not correct because this is lowest benefit in the choices.

B Is not correct because this is contribution before loss from defaulters

C Is not correct because Interest from deposit before withholding tax.

QUESTION 27

The correct answer is **D**

Invest in treasury bills		Pay Supplier immediately	
Description	Amount	Description	Amount
Number of tons	5	Rate	1,252
5 tones (\$10,000*5)	50,000	Depreciated rate (1,252*1.07)	1,340
Translated at original rate (50,000*1,252)	62,600,000	Translated at depreciated rate (50,000*1340)	66,982,000
Interest from treasury bills	12,520,000	Translated at original rate	62,600,000
Income	6,260,000	Income	4,382,000

A Is not correct because by paying supplier immediately, company will lose FRW 1,878,000 (FRW 6,260,000-FRW 4,382,000).

B Is not correct because the outcome of investing in bills is FRW 6,260,000 not FRW 4,382,000

C Is not correct because paying supplier outcome is FRW 4,382,000 not FRW 6,260,000.

QUESTION 28

The correct answer is C

A, B and D are the benefits/Advantages of forecasting in business.

QUESTION 29

The correct answer is D

A, B and C are all aspect business dealing with cash should have basic security procedure to deal with.

QUESTION 30

The correct answer is A Receivable collection period is calculated as Trade Receivable*days in year/Credit sales

Description	2022
Inventory	FRW 170,000,000
Trade Receivable	FRW 230,000,000
Cash and Cash equivalent	FRW 65,000,000
Trade Payable	FRW 185,000,000
Revenue	FRW 1,300,000,000
Gross profit	FRW 950,000,000
Net Profit	FRW 370,000,000
Ratio Computation	
Receivable Collection period (230M*360)/(1300B*80%)	80 Days

B Is not correct because total revenue was used instead of credit sales which 80% of total revenue. (FRW 230M*360)/FRW 1,300B

C Is not correct because days in year is wrong, it considered 365 days instead of 360 as suggested in question.

D Is not correct because cash sales was used instead of credit sales (FRW 230M*360)/(FRW 1,300B*20%)

QUESTION 31

The correct answer is **B** Acid test equal to (Current Assets-Inventory)/Current liabilities

Description	2022
Inventory	FRW 170,000,000
Trade Receivable	FRW 230,000,000
Cash and Cash equivalent	FRW 65,000,000
Trade Payable	FRW 185,000,000
Revenue	FRW 1,300,000,000
Gross profit	FRW 950,000,000
Net Profit	FRW 370,000,000
Ratio Computation	
Acid test (FRW 230M+FRW 65M)/FRW 185M	1.6:1

A Is not correct because the inventory was considered so this is current ratio not acid test (230M+170M+65M)/185M.

C Is not correct because has mistaken of inverting the formula and not excluding inventory by taking current liability divided by current assets (FRW 185M/(FRW 230M+FRW 170M+FRW 65M)).

D Is not correct because it has mistaken of inverting the formula by taking current liabilities divided by current assets less inventory (FRW 185M/(FRW 230M+FRW 170M))

QUESTION 32

The correct answer is **A** Payable Payment Period is computed as (Trade payable*days in year)/Cost of sales

Description	2022
Inventory	FRW 170,000,000
Trade Receivable	FRW 230,000,000
Cash and Cash equivalent	FRW 65,000,000
Trade Payable	FRW 185,000,000
Revenue	FRW 1,300,000,000
Gross profit	FRW 950,000,000
Net Profit	FRW 370,000,000
Ratio Computation	
Trade Payable payment Period (FRW 185M*360)/FRW 1,300B-FRW 950M)	190 Days

B Is not correct because 365 days have been used instead 360 as advised in question.

C Is not correct because net profit was used instead of gross profit (185M*360)/(1,300B-370M)

D Is not correct because the correct answer is **A**

QUESTION 33

The correct answer is **B**

Description	2022
Inventory	FRW 170,000,000
Revenue	FRW 1,300,000,000
Gross profit	FRW 950,000,000
Ratio Computation	
Inventory holding Period (FRW 170M*360)/(1,300B-950M)	175 Days

A Is not correct because 365 days have been used instead 360 as advised in question.

C Is not correct because net profit was used instead of gross profit $(170M*360)/(1,300B-370M)$

D Is not correct because the correct answer is **B**

QUESTION 34

The correct answer is **D**

Description	Budgeted	Actual	Variance
Receipts from cash sales	160,000,000	175,000,000	15,000,000 F
Receipts from credit customers	750,000,000	710,000,000	40,000,000 A
Total Variance			25,000,000 A

A Is not correct because total received is less total budgeted so it adverse not favorable.

B Is not correct because this correct variance for credit customers not total customer including cash.

C Is not correct because this is correct variance for cash paying customer not total receipt from customer.

QUESTION 35

The correct answer is **B**

Description	Amount
Budgeted Rent Payment	25,000,000
Add: Adverse Variance	7,000,000
Actual Rent paid (FRW 25,000,000+FRW 7,000,000)	32,000,000

A Is not correct because for expense variance to be adverse actual spend should be more than budgeted.

C Is not correct because this is budgeted rent to be paid not actual paid.

D Is not correct because the correct answer is **B**

QUESTION 36

The correct answer is **D**

Description	Budgeted	Actual	Variance
Payment to Credit supplier	640,000,000	625,000,000	15,000,000 F
Purchase of Equipment	80,000,000	55,000,000	25,000,000 F
Total Variance			65,000,000 F

A Is not correct because amount is not correct 25,000,000 I for Equipment and 15,000,000 for supplier.

B Is not correct because both variances are favorable not adverse.

C Is not correct because variance for purchase of equipment is favorable not adverse.

QUESTION 37

The correct answer is **C**

A, B and **D** are all regular payments in cash budget

QUESTION 38

The correct answer is **B**

Description	Budget Sales
May 2023 Units	15,700
May 2023 Price (5,000*1.05*1.05)	5,512.50
May 2023 Value (15,700*5,512.5)	FRW 86,546,250

A Is not correct because price was inflated once instead of every month. (15,700*((5,000*1.05).

C Is not correct because price was not inflated (FRW 5,000*15,700)

D Is not correct because units used was for production not budgeted sales units (17,000*(5,000*1.05*1.05)

QUESTION 39

The correct answer is **A**

Description	Material Cost
April 2023 Units	14,500
April 2023 Price (2,000*1.1)	2,200.0
April 2023 Value (14,500*2,200)	FRW 31,900,000

B Is not correct because price was not inflated (2,000*14,500)

C Is not correct because units used was budget sales not production units (14,800*2,200)

D Is not correct because units was budgeted sales units not production and price were not inflated. (14,800*2,000).

QUESTION 40

The correct answer is D

Description	Budget Sales	Material Cost
April 2023 Units	14,800	14,500
April 2023 Price (5,000*1.05) and (2000*1.1)	5,250.00	2,200.0
April 2023 Value (14,800*5,250)	FRW 77,700,000	FRW 31,900,000
May 2023 Units	15,700	17,000
May 2023 Price (5,250*1.05)	5,512.50	2,200.0
May 2023 Value (15,700*5,512.5)	FRW 86,546,250	FRW 37,400,000
June 2023 Units	16,500	17,500
June 2023 Price (5,512.5*1.05)	5,788.13	2,200.0
June 2023 Value (16,500*5,788.13)	FRW 95,504,063	FRW 38,500,000
Total values	FRW 259,750,313	FRW 107,800,000

A Is not correct because prices was not inflated

B Is not correct because price for budget sales was inflated once instead of each year

C Is not correct because prices for material cost was inflated each year instead of first year only.

QUESTION 41

The correct answer is C

Description	Amount
Opening Trade Receivable	150,000,000
Add: Credit Sales for 2020	620,000,000
Less: Closing Trade Receivable	(180,000,000)
Cash received from sales	590,000,000

A Is not correct because formula used was wrong (FRW 180,000,000+620,000,000-FRW 180,000,000).

B Is not correct because Credit sales used was for 2019 instead of 2020

D Is not correct because wrong formula and wrong credit sales was used (FRW 150,000,000+FRW 570,000,000-FRW 180,000,000).

QUESTION 42

The correct answer is **D**

A, B and C because depreciation is non-cash items therefore there would be no cash flow for the period.

QUESTION 43

The correct answer is **A**

Description	Amount/%
Total Maintenance Cost	FRW 36,000,000
Hours Need for maintenance	750
Total hours in Maintenance department	2250
Maintenance Cost for Machining (750/2,250) *36,000,000	FRW 12,000,000

B Is not correct because this is maintenance reappportioned cost to assembling

C Is not correct because this store reappportioned cost to machining

D Is not correct because this store reappportioned cost to assembling

QUESTION 44

The correct answer is **B**

Description	Amount/%
Store Reappportioned cost	10,800,000
Maintenance Reappportioned cost	24,000,000
Total reappportioned cost	34,800,000

A Is not correct because this is total cost including allocated cost and apportioned cost for Machining department

C Is not correct because This is total reappportioned cost to machining department not assembling

D Is not correct because this is total cost including allocated cost and apportioned cost for Assembling department

QUESTION 45

The correct answer is C

Description	Amount
Estimated Overhead	FRW 86,000,000
Estimated hours	40,000
Overhead absorption rate (FRW 86,000,000/40,000)	FRW 2,150
Actual hours	50,000
Overhead absorbed (FRW 2,150*50,000)	FRW 107,500,000
Actual overhead incurred	FRW 120,000,000
Under absorbed overhead (FRW 120,000,000-FRW 107,000,000)	FRW 12,500,000

- A Is not correct because estimated overhead was used instead of absorbed overhead
- B Is not correct because the overabsorption overhead happen only when absorbed overhead is greater than actual overhead.
- D Is not correct because Estimated overhead was used instead of absorbed overhead.

QUESTION 46

The correct answer is A

Opening inventory	
Description	Amount/Units
Opening inventory units	6,000
Variable cost per unit	FRW 3,000
Opening inventory Value (6,000*FRW 3,000)	FRW 18,000,000
Closing inventory	
Opening inventory units	6,000
Production units	12,000
Sold units	14,000
Closing inventory Units (6,000+12,000-14,000)	4,000
Variable cost per unit	FRW 3,000
Closing inventory Value (4,000*FRW 3,000)	FRW 12,000,000

- B Is not correct because opening inventory units was as closing inventory and vis versa
- C and D are not correct because those are the inventories using absorption costing method.

QUESTION 47

The correct answer is D

Description	Amount/Units	Amount" FRW"
Sales Units	14,000	
Selling price	5,500	
Sales Value (FRW 5,500*14,000)		77,000,000
Opening inventory	6,000	
Production Units	12,000	
Closing inventory	(4,000)	
Sold units (6,000+12,000-4,000)	14,000	
Production cost for sold units (14,000*4,500) *		63,000,000
Gross Profit (77,000,000-63,000,000)		14,000,000
Administration Cost		12,000,000
Net profit		2,000,000

Production cost

Description	Amount/Units
Total fixed Cost	FRW 30,000,000
Fixed Production cost (60%* FRW 30,000,000)	FRW 18,000,000
Production unit	12,000
Absorption rate per unit (FRW 18,000,000/12,000)	FRW 1,500
Variable cost per unit	FRW 3,000
Total production cost (FRW 3,000,000+FRW 1,500)	FRW 4,500

A Is not correct because the production unit was used instead of units sold during computation of production cost for units sold (FRW 77,000,000-(12,000*FRW 4,500)-FRW 12,000,000)

B Is not correct because This is net profit using marginal costing (FRW 77,000,000-(14,000*3,000)-FRW 30,000,000)

C Is not correct because fixed administrative cost was considered in the absorption rate.

QUESTION 48

The correct answer is C

Description	Amount/Units	Amount/Units
Sales Units	14000	
Selling price	5,500	
Sales Value		FRW 77,000,000
Opening inventory	6,000	
Production Units	12,000	
Closing inventory	(4,000)	
Sold units	14,000	
Production cost for sold units		FRW 42,000,000
Contribution		FRW 35,000,000

- A** Is not correct because this is net profit using absorption costing method (refer to Q47)
- B** Is not correct because this is gross profit using absorption costing method (refer to Q47)
- D** Is not correct because This is net profit using marginal costing (FRW 77,000,000-(14,000*3,000)-FRW 30,000,000).

QUESTION 49

The correct answer is **B**

Description	Amount/Units	Amount/Units
Sales Units	14000	
Selling price	5,500	
Sales Value		FRW 77,000,000
Opening inventory	6,000	
Production Units	12,000	
Closing inventory	(4,000)	
Sold units	14,000	
Production cost for sold units		FRW 42,000,000
Contribution		FRW 35,000,000
Fixed Cost		FRW 30,000,000
Net Profit		FRW 5,000,000

- A** Is not correct because the production unit was used instead of units sold during computation of production cost for units sold (FRW 77,000,000-(12,000*FRW 4,500)-FRW 12,000,000).
- C** Is not correct because this is net profit using abortion costing (refer to Q47).
- D** Is not correct because fixed administrative cost was considered in the absorption rate.

QUESTION 50

The correct answer is **A**

Description	Amount
Net profit per absorption Costing	FRW 46,000,000
Add: Change in Closing inventory	FRW 15,000,000
Less: Change in Opening inventory	FRW 12,000,000
Net profit per Marginal costing	FRW 49,000,000

- B** Is not correct because mistake was done by adding change in opening and subtract change in closing. (FRW 46,000,000+FRW 12,000,000-FRW 15,000,000)
- C** Is not correct because administrative cost was subtracted again yet it was considered before net profit (FRW 46,000,000+FRW 15,000,000+FRW 12,000,000-FRW 15,000,000)
- D** Is not correct because two mistakes were done, first was adding change in change in opening and subtract change in closing and second was by subtracting again administration cost. (FRW 46,000,000+FRW 12,000,000-FRW 15,000,000-FRW 15,000,000).

END OF MARKING GUIDE AND MODEL ANSWERS