



CERTIFIED ACCOUNTANTING TECHNICIAN
STAGE 1 EXAMINATIONS
S1.2 PRINCIPLES OF COSTING
DATE: MONDAY 27, MAY 2024
MARKING GUIDE AND MODEL ANSWERS

MARKING GUIDE

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

QUESTION ONE

Correct answer is C

A: Financial Accounting: takes this information and processes it to prepare financial statements, such as the statement of profit or loss and the statement of financial position.

B: Computerized Accounting: uses computers to record and store financial transactions and generate reports based on this data.

D: Financial Reporting: is the process of documenting and communicating financial activities and performance over specific time periods, typically on a quarterly or yearly basis.

QUESTION TWO

Correct answer is B

Fixed cost per chair is: $23,000,000 / 1000 = 23,000$

A Was wrong because they have been assuming fixed cost are not apportioned to unit of production.

C Was wrong because there has multiplied fixed cost to unit of Production.

D none of the above is wrong because B was correct answer.

QUESTION THREE

Correct answer is D

The manager has responsibility for investment as well as costs and revenues – this is therefore an investment Centre.

A: Cost center: Managers has responsibility of area or department which incurs costs only is Known as Cost Centre. B: Revenue Centre managers should normally have control over how revenues are raised only.

C: Profit Center this is Some areas of a business incur costs but also earn income and, as income minus costs equals profit, these are known as profit centers.

QUESTION FOUR

Correct answer is A (a limited company's capital is divided into shares).

B is wrong as partners are only meant to be in partnership not in a limited company.

C is not correct; shareholders get paid dividend not interest.

QUESTION FIVE

Correct answer is D, All the above are Correct.

Inventory describes all Raw materials, working in Progress and Finished Goods.

QUESTION SIX

Correct answer is D

Capital = assets – Liabilities and vice versa assets = capital + liabilities

Therefore, A and B are correct

On the other hand, C is wrong

QUESTION SEVEN

Correct answer is C

Retained earnings are cumulative profit or loss of the business transferred to statement of financial position under equity.

A Closing inventories are asset held for sale in normal business operation of the business.

B carriage inwards is operating expense and is recorded in statement of profit or loss account.

C Retained earnings.

D All above.

QUESTION EIGHT

Correct Answer is B

High out put	14,870	FRW 254,554
Low output	12,610	FRW 230,485
Difference	2,260	FRW 24,069

Variable Cost per unit = $24,069 / 2,260 = \text{FRW } 10.65$

Wrong Answers

Point A

If they take high cost not out put

High out put	14,870	FRW 254,554
Low output	12,650	FRW 230,000
Difference	2,220	FRW 24,554

Variable Cost = $24,554 / 2,220 = \text{FRW } 11.06$

Point C

High out put	14,870	FRW 254,554
Low output	14,350	FRW 248,700
Difference	520	FRW 5,854

Variable Cost= 5,854 / 520 = FRW 11,26

Point D

If they select high cost and high output randomly

High out put	14,870	FRW 254,554
Low output	12,610	FRW 230,000
Difference	2,260	FRW 24,554

Variable Cost= 24,554 / 2,260 = FRW 10.86

QUESTION NINE

Fixed Cost Can be determined by: (Total cost at high activity level) – (total units at high activity level × variable cost per unit).

Correct Answer was A

High out put	14,870	FRW 254,554
Low output	12,610	FRW 230,485
Difference	2,260	FRW 24,069

Variable Cost per unit = 24,069 / 2,260 = FRW 10.65

Fixed Cost = FRW 254,554 – (10.65 * 14,870) = FRW 96,188.5

Wrong Answer

Point B

If they take high cost not output (High Activity level)

High out put	14,870	FRW 254,554
Low output	12,650	FRW 230,000
Difference	2,220	FRW 24,554

Variable Cost= 24,554/ 2,220 = FRW 11.06

Wrong Fixed Cost= **FRW 254,554 – (11.06 * 14,870) = FRW 90,091.8**

Point C

High out put	14,870	FRW 254,554
Low output	14,350	FRW 248,700

Difference	520	FRW 5,854
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Variable Cost = $5,854 / 520 = \text{FRW } 11,26$

Wrong Fixed Cost = $\text{FRW } 254,554 - (11.26 * 14,870) = \text{FRW } 87,117.8$

Point D

If they select high cost and high output randomly

High out put	14,870	FRW 254,554
Low output	12,610	FRW 230,000
Difference	2,260	FRW 24,554

Variable Cost = $24,554 / 2,260 = \text{FRW } 10.86$

Wrong Fixed Cost = $\text{FRW } 254,554 - (10.86 * 14,870) = \text{FRW } 93,065.8$

QUESTION 10

Total Production Cost equal to: A

(Expected Number of Unit to be produced * Variable Cost) + Fixed Cost

A = $(\text{FRW } 10.65 * 15000) + \text{FRW } 96,188.5 = \text{FRW } 255,938.5$

B = $(\text{FRW } 11.06 * 15,000) + \text{FRW } 90,091.8 = \text{FRW } 255,991.8$

C = $(\text{FRW } 11,26 * 15,000) + \text{FRW } 87,117.8 = \text{FRW } 256,017.8$

D = $(\text{FRW } 10.86 * 15,000) + \text{FRW } 93,065.8 = \text{FRW } 255,965.8$

QUESTION 11

Correct Answer is A

Cost Apportionment: Apportionment of overheads that relate to a number of cost centers on some fair basis, such as the apportionment of the rent of the building to each cost Centre in the building on the basis of floor space occupied.

Wrong Answer

B Is wrong because cost allocation involves allocation of overheads that relate to just one cost Centre.

C Is wrong because cost re-apportionment involve re-apportionment of services cost Centre costs to the production cost centers, ensuring that all overheads are now included with in the production cost Centre costs.

D None of the above was wrong answer because A was correct answer.

QUESTION 12

Correct answer is C, total remuneration is the summation of basic pay and overtime.

Basic pay = $40 * 7000 = 280,000$

Overtime = $10 * 8400 = 84,000$

Total = $364,000$

A is wrong, it has forgotten to add up overtime hours worked.

B is wrong, has forgotten to add up basic hours worked.

QUESTION 13

Correct answer is A, he did not work any overtime thus does not qualify for any overtime pay.

His basic pay is $30 * 7,000 = \text{FRW } 210,000$

B. is wrong candidates has remunerated him as if he has worked overtime hours

$30 * 8,400 = \text{FRW } 252,000$

C is wrong candidates remunerated him hours not worked for

$40 * 7,000 = 280,000$

QUESTION 14

Correct answer is A, salaries expense to statement of profit or loss account should be the summations of salaries of Mugisha and Mugabe $364,000 + 210,000 = \text{FRW } 574,000$

B is wrong it has assumed that only salary of Mugabe has to be expensed in Profit or loss account.

C is wrong it has assumed that only salary of Mugisha has to be expensed in Profit or loss account.

QUESTION 15

Correct Answer is D

All of the above statement describes the Cause of High labor turnover in different industry.

A Few opportunities for professional development.

B Little to no career development.

C Hard nature of job, inadequate safeguards against accidents.

D **All of the above.**

QUESTION 16

Correct answer is C, credit transaction is when payment will be made on a future date after receipts of goods and services.

Option A is incorrect because the payment by using credit card represent an immediate payment which is on the other side cash payment.

Option B is incorrect payment by cheques is a cash transaction.

Option D is incorrect because it combines both correct and wrong answers.

QUESTION 17

Correct answer is B, Decision making, controlling, Planning are principal role of management in organization

A. planning, analyzing, controlling: Analyzing of financial information are role of financial accountant.

B. Decision making, controlling, Planning.

C. Decision making, controlling, reporting: **reporting** of financial information are role of financial accountant.

D. None of the above.

QUESTION 18

Correct answer was C

Variance: regular comparison of what actually happen and what was planned in the budget,

A. Surplus is excess cash flow when cash inflow is greater done cash out flow

B. Deficit is insufficient when cash outflow is greater done cash inflow

C. **Variance**

D. None of the above

QUESTION 19

Correct answer is A: Alphabetic coding system uses just letters to code the ledger accounts

QUESTION 20

Correct Answer is B

Purchase price: is sometimes used to help calculate a stockholding cost but it is not otherwise required

Economic Order Quantity is the order quantity which minimizes inventory costs.

Inventory Cost Includes (Ordering cost, Holding Cost and Annual Usage)

Ordering cost are the costs incurred when inventories are ordered, the more orders are placed, the higher the total ordering costs will be

Stockholding Cost: Holding costs are the costs of storing inventories until they are used

Annual Usage: are quantity of inventory required during a certain period of time Usually One years

Items A, C and D are therefore most relevant to the EOQ calculation

- A Ordering cost
 - B Purchase price
 - C Stockholding Cost
 - D Usage
-

QUESTION 21

Correct answer is C

Sales and Marketing team are paid for the output achieved, the more output your sales the more bonus you get, this will help to increase sale revenue and motivate the team.

Sales and Marketing Employees are paid only for the output achieved.

QUESTION 22

Correct Answer is D

Human resources and finance team spend a greater number of hours in the office than other employees in the company, they will get a bonus for extra hour worked (If the hours worked exceed a pre-set maximum, overtime is paid at a higher overtime time-rate).

Human resources and Finance Team are paid only for the hours worked.

QUESTION 23

Correct Answer is A

Company will offer higher rates to production team as number of units produced increase to certain level agreed by the company.

For example, RWF60 per unit is paid for production of up to 2,000 units per week, rising to RWF80 per unit for 2,001 to 3,000 units, and so on

Production Department will be paid performance bonus only for as production increases.

QUESTION 24

Cost Type	Budget “FWR 000”	Actual “FRW 000”	Variance (Budget-Actual)	Comment	% of Significant
Materials	46,880	50,860	-3,980	Adverse	(8.5)
Labor Cost	22,540	24,760	-2,220	Adverse	(9.8)
Production Overheads	10,680	10320	360	Favorable	3.4
Administration Overheads	9,980	9,540	440	Favorable	4.4
Selling and Distribution Overheads	4,920	4,080	840	Favorable	17.1

Correct Answer is C

Point A: is wrong because it was variance for administration Overheads

Point B is wrong because production overheads variance was favorable not adverse

Point D is wrong because it was incorrect variance for administration overheads

QUESTION 25**Correct answer is C**

Point A is variance for labor cost not for materials

Point B is wrong Variance because was incorrect labor cost variance

Point D is wrong because labor Cost variance was Adverse Not Favorable

QUESTION 26**Correct Answer was A**

Point B is wrong because labor cost variance was adverse not Favorable

Point C is wrong because incorrect variance for selling and distribution overheads

Point D is wrong because variance for selling and distribution overheads

QUESTION 27

Correct Answer is D

Whether a variance is significant depends on the context of the organization, in the context of cost saving.

Variance which is more than 5 % was significance so manager will want to be aware was the reason why there have adverse variance of that two element of cost of production (Material and Labor Cost).

Point A: Is wrong because all the variance is Favorable

Point B: Is wrong below 5 % and are Favorable

Point C: Is wrong because one was Favorable other was Adverse

QUESTION 28

Correct answer is A

The two main financial statements are statement of profit or loss and statement of financial position.

B is not correct, bank statement it only shows the transaction on your bank account

C is not correct; customer ageing report shows outstanding balances from customer by intervals.

D is not correct, statement of account shows transactions that took place between you and a particular customer or supplier

QUESTION 29

	Correct Answer A	Wrong Answer B	Wrong Answer C	Wrong Answer D
Productive Hours	Hour 3,300	Hour 3,300	Hour 3,300	Hour 3,300
Idle time A: $[3,300 * 25 / (100 - 25)]$ B: $[3,300 * 25 / 100]$ C: $[3,300 * 25 / (100 + 25)]$ D: no idle time Computed	Hour 1,100	Hour 825	Hour 660	-
Total Paid hours	Hour 4,400	Hour 4,125	Hour 3,960	Hour 3,300
Total Labor Cost	FRW 36,300,000	FRW 36,300,000	FRW 36,300,000	FRW 36,300,000
Labor rate per Hour	FRW 8,250	FRW 8,800	FRW 9,166	FRW 11,000

Correct Answer is A

This is because 3,300 productive hours are Exclusive of Idle time, you have to add back the Idle time to get total budgeted hour.

B: Is wrong because for computation of total budgeted hour, you assume those productive hours include idle time.

C: Is wrong Because for computation idle, you have assumed that productive hour includes idle time while that productive hour was net of idle time.

D: They have assumed productive hour equal to budgeted hour, while budgeted hour equal to (Productive hour + Idle time).

QUESTION 30

The correct answer is B

Direct material	FRW 50 *10 kg * 200	=	100,000			
Direct labor	2 hour *200	*	FRW100	=		40,000
Direct expense	FRW 400 * 200	=	80,000			
Prime cost		=	220,000			

QUESTION 31

The correct answer is A

Direct material	FRW 50 *10 kg * 200	=	100,000			
Direct labor	2 hour *200	*	FRW100	=		40,000
Direct expense	FRW 400 * 200	=	80,000			
Prime cost		=	220,000			
Fixed overhead		=	<u>125,000</u>			
Total cost of production		=	345,000			

QUESTION 32

Correct Answer was B

Which of the following states the responsibilities of the manager of profit center?

- A. Responsibility for revenue but not cost: this one is a revenue center
- B. Responsibility for revenues and cost
- C. Responsibility for revenue, costs and investment: is investment center
- D. Responsibility for costs but not revenues: is a cost centre

QUESTION 33

Correct Answer is D

- A : Production volume should not cause differences in inventory.
 - B : Damage or waste should be recorded on the individual inventory records
 - C : Such a request should be entered on the inventory record
-

QUESTION 34

Correct answer is D: A profit-sharing scheme pays a proportion of the business's profits to employees, the size of the proportion paid **often** reflect the level of responsibility.

Cost type	Budget FRW '000'	Actual FRW '000'	Variance '000'
Material	52,500	48,940	3,560 Favorable
Labor	65,700	69,350	3,650 Adverse
Production overheads	12,840	12,070	770 Favorable
Total variance			680 Favorable

QUESTION 35

The correct answer is B

A is wrong because it is favorable instead of adverse.

C and D are wrong because they relate to material and not labour variance

QUESTION 36

The correct answer is D

Option A and C do not relate to any variance

B is wrong because it is adverse

QUESTION 37

Correct answer is D

A, B and C are examples of Stock out costs

QUESTION 38

Correct answer is D, Unit cost is also known as cost per unit, it is the amount of cost incurred to produce one unit of a product.

The rest of the options are wrong like A is about cost unit and B is meant for cost center.

C is also not correct on the fact that it depicts a responsibility center.

QUESTION 39

Correct answer is A, time rate is the best remuneration method when the output cannot be measured reliably.

B is incorrect, piece work is used when it is easy to measure the output.

C is wrong, differential piece work is also applicable when the output is countable.

QUESTION 40

Correct answer was D: change of regulation policy are done by government authority not by management decision.

A, B, C all are include in management decision for management of day-to-day activities of the business.

QUESTION 41

Correct answer is D: it is not legal requirement to prepare management account, financial accounting incorporate information with a monetary nature.

A, C are true statement, they describe the relationship between financial management and management account.

QUESTION 42

Correct answer is A. When dealing with perishable products, the earliest product received in your store should be issued first to avoid being outdated.

B and C are wrong as they can lead to the product to expire in stock

QUESTION 43

Correct answer is C

Insurance cost paid for holding inventory is holding cost not ordering cost.

A, B describes the ordering cost for placing one.

D is wrong because C is correct answer.

QUESTION 44

Correct answer is B, the closing balance by using FIFO is FRW 6,000,000

Date	Transaction	Quantity	Unit purchase Price (FRW)	Balance in FRW
01-Jan	Opening balance	1,000	12,000	12,000,000
10-Feb	Receipt	400	15,000	18,000,000
20-Mar	Sales	1,100	16000	4,500,000
25-May	Receipt	800	10,000	12,500,000
30-Jun	Sales	500	14000	6,000,000

A is incorrect it has assumed that opening balance is the same as closing balance of FRW 12,000,000.

C candidates has skipped three transactions making the answer incorrect.

QUESTION 45

Correct answer is C the value of closing stock is FRW 6,600,000

Date	Transaction	Quantity	Unit purchase Price (FRW)	Balance in FRW
01-Jan	Opening balance	1,000	12,000	12,000,000
10-Feb	Receipt	400	15,000	18,000,000
20-Mar	Sales	1,100	16000	3,600,000
25-May	Receipt	800	10,000	11,600,000
30-Jun	Sales	500	14000	6,600,000

A is incorrect it has assumed that opening balance is the same as closing balance of FRW 12,000,000.

B candidates has skipped three transactions making the answer incorrect.

QUESTION 46

Correct answer is A, cost of goods sold as below by using LIFO.

	FRW
Opening Stock	12,000,000
Add: Purchases	29,600,000
Less: Closing Stock	(6,600,000)
Cost of Goods Sold	35,000,000

B is wrong it has only assumed total purchases is equivalent to the cost of goods sold FRW 29,600,000.

C is not correct assumed only opening stock.

QUESTION 47

Correct answer is B as calculated below by using FIFO

	FRW
Opening Stock	12,000,000
Add: Purchases	29,600,000
Less: Closing Stock	(6,000,000)
Cost of Goods Sold	35,600,000

A is not correct it has only assumed total purchases is equivalent to the cost of goods sold FRW 29,600,000.

C is not correct candidates has assumed that the value of cost of goods sold by using FIFO is the same as LIFO.

QUESTION 48

Correct answer is A, SIMBA Ltd has made a loss as calculated below

	FRW
Value of Sales	24,600,000
Less: Cost of Goods Sold	(35,000,000)
	(10,400,000)

B is wrong as it has used LIFO cost of goods sold yet the requirements was to use FIFO

C is wrong it has reported a profit, yet it was a loss as cost exceeds revenues.

QUESTION 49

Correct answer is D, the number of papers to be produced is the closing stock + order received - Closing stock

$$30,000 + 50,000 - 10,000 = 70,000 \text{ hygienic papers}$$

A is incorrect, it has assumed that they will only produce closing stock

B is also wrong; it has assumed that the will produce papers equivalent to the order they received.

C is wrong, it has forgotten to deduct the opening stock that is already produced

QUESTION 50

Correct Answer is B

A, C and D are all variable Costs and would be best described as a linear graph

End of Model Answer and Making Guide