



ICPAR
Unlimited possibilities

**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 1 EXAMINATIONS**

S1.2: PRINCIPLES OF COSTING

DATE: MONDAY 27, MAY 2024

INSTRUCTIONS:

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

SECTION A

QUESTION ONE

Which of the following branches of accounting system provide information of the business that helps managers to plan, make decisions and control the business now and in the future?

- A Financial Accounting
- B Computerized Accounting
- C Management Accounting
- D Financial Reporting

(2 Marks)

QUESTION TWO

MANOR CARPET Ltd is a company located in Gakiriro and makes and sale chairs to the public. They have been incurring fixed costs of FRW 23 million per year, their managing director has approached you as CAT student to help him understand how to record this transaction in books of accounts.

What is the fixed cost per chair if 1,000 chairs are made per year?

- A FRW 23,000,0000
- B FRW 23,000
- C FRW 23,000,000,000
- D None of the above

(2 Marks)

QUESTION THREE

A manager has responsibility for cost incurred, revenues earned and investment in non-current assets in one area of the business.

This manager is responsible for which of the following?

- A A Cost Centre
- B A revenue Centre
- C A Profit Centre
- D An Investment Centre

(2 Marks)

QUESTION FOUR

Which of the following statements is correct about a limited company?

- A The Capital of the business is divided into shares
- B The owners of this type of business are called Partners
- C The owners of a limited company get paid interest on their capital invested
- D All of the above

(2 Marks)

QUESTION FIVE

Which of the following best describes the term inventory?

- A Items that have been completed and ready for sale
- B Items that are ready to be used in production
- C Items that are partly completed
- D All the above are correct

(2 Marks)

QUESTION SIX

Which of the following is correct about accounting equation?

- A Capital = assets - liabilities
- B Assets = Capital + liabilities
- C Capital = assets + liabilities
- D A and B are correct answers

(2 Marks)

QUESTION SEVEN

Through which of the following does the statement of profit and loss account communicate to the statement of financial position through?

- A Closing inventories
- B Carriage inwards
- C Retained earning
- D All above

(2 Marks)

The following information relates to Question 8, 9 and 10

Total production cost and output over three periods have been extracted as follow

Period	Production Cost	Output
1	FRW 230,485	12,610 Units
2	FRW 254,554	14,870 Units
3	FRW 248,700	14,350 Units
4	FRW 230,000	12,650 Units

QUESTION EIGHT

Estimated variable cost production costs per unit by using high low method?

- A FRW 11.06
- B FRW 10.65
- C FRW 11.26
- D FRW 10.86

(2 Marks)

QUESTION NINE

Estimated Fixed Cost of Production using High low method

- A FRW 96,188
- B FRW 90,092
- C FRW 87,118
- D FRW 93,066

(2 Marks)

QUESTION 10

Estimate the total cost of production in period five, when company expects to produce 15,000 units? "round your answer to nearest whole number"

- A FRW 255,938
- B FRW 255,992
- C FRW 256,018
- D FRW 255,966

(2 Marks)

QUESTION 11

The distribution of different cost items in proportions to the cost unit or cost Centre on a suitable basis is known as?

- A Cost Apportionment
- B Cost Allocation
- C Cost re-apportionment
- D None of the above

(2 Marks)

The following information relates to Question 12, 13 and 14

SABAR Ltd is a construction company that was established early 2023. They recruit best performing engineers from University of Rwanda. Recently the company was given works by the government of Rwanda to build one of the Hospital in Kayonza district. SABAR Ltd has a policy to remunerate the engineers on a time rate system. Maximum hours allowed per day is 8 hrs in a 5 days week and any overtime is remunerated at a normal rate plus 20%. The hourly rate is FRW 7000.

During the first week of construction, Mugabe and Mugisha worked 50 hours and 30 hours respectively

QUESTION 12

Which of the following would be the total remuneration for Mugabe?

- A FRW 280,000
- B FRW 84,000
- C FRW 364,000
- D None of the above

(2 Marks)

QUESTION 13

Which of the following would be total remuneration Mugisha?

- A FRW 210,000
- B FRW 252,000
- C FRW 280,000
- D None of the above

(2 Marks)

QUESTION 14

Which of the following would be the salaries expenses to be recorded in profit or loss account as expense?

- A FRW 574,000
- B FRW 364,000
- C FRW 210,000
- D None of the above

(2 Marks)

QUESTION 15

Which of the following is a cause for high labor turnover?

- 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

(2 Marks)

QUESTION 16

Which of the following best describes a credit transaction?

- A Payment for goods by using credit card
- B Payment for goods by using cheque
- C When payment will be made after a certain period or at a future date
- D C and B are correct

(2 Marks)

QUESTION 17

Managers are the back bone of the business; they are normally required for day-to-day operation of the business.

Which of the following are principal roles of management in organization?

- A Planning, analyzing, controlling
- B Decision making, controlling, Planning
- C Decision making, controlling, reporting
- D None of the above

(2 Marks)

QUESTION 18

Control is normally known as a regular comparison of what actually happened and what was planned in the budget, the difference is known as:

- A Surplus
- B Deficit
- C Variance
- D None of the above

(2 Marks)

QUESTION 19

Which of the following statements is not true?

- A Alphabetic coding system uses a mixture of letters and numbers to code the ledger accounts
- B A numeric coding system is where the code is entirely numerical
- C Codes are uniform in structure and length
- D None of the above

(2 Marks)

QUESTION 20

Which of the following is not relevant to the calculation of the economic order quantity of raw materials?

- A Ordering cost
- B Purchase price
- C Stockholding cost
- D Annual usage

(2 Marks)

The following information relates to Question 21, 22 and 23

Kama and sons Ltd is a company located in Nyacyonga and is involved in making and selling of cosmetics product. Recently faced challenges of high labor turnover. To address that issues, the management of the company have decided to adopt differential remuneration scheme so that all employees would be motivated. The employees were classified as based their department and level of their performance. You are required to show the method of remuneration this company has adopted.

QUESTION 21

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

Which type of remuneration method is this?

- A Differential piece work
- B Time rate plus bonus
- C Piece work
- D Time rate

(2 Marks)

QUESTION 22

Human resources and finance team are paid only for the hours worked.

Which type of remuneration method is this?

- A Differential piece work
- B Time rate plus bonus
- C Piece work
- D Time rate

(2 Marks)

QUESTION 23

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

Which type of remuneration method is this?

- A Differential piece work
- B Time rate plus bonus
- C Piece work
- D Time rate

(2 Marks)

The following information relates to Question 24, 25 ,26 and 27

Cost Type	Budget FRW “000”	Actual FRW “000”
Materials	46,880	50,860
Labor Cost	22,540	24,760
Production Overheads	10,680	10320
Administration Overheads	9,980	9,540
Selling and Distribution Overheads	4,920	4,080

QUESTION 24

What is the production overheads variance for the period?

- A FRW 440 F
- B FRW 360 A
- C FRW 360 F
- D FRW 440 A

(2 Marks)

QUESTION 25

What is the materials variance for the period?

- A FRW 2,220 A
- B FRW 2,220 F
- C FRW 3,890 A
- D FRW 3,890 F

(2 Marks)

QUESTION 26

What is the labor Variance for the period?

- A FRW 2,220 A
- B FRW 2,220 F
- C FRW 840 A
- D FRW 840 F

(2 Marks)

QUESTION 27

Which two variances would be considered to be significant?

- A Selling and distribution overheads and labor cost
- B Production overheads and administration overheads
- C Labor cost and administration overheads
- D Materials and labor cost

(2 Marks)

QUESTION 28

The two main financial statements are:

- A Statement of profit or loss and statement of financial position
- B Statement of account and bank statement
- C Customer ageing report and income statement
- D Balance sheet and statement of account

(2 Marks)

QUESTION 29

A job is budgeted to require 3,300 productive hours after incurring 25% idle time. If the total labor cost budgeted for the job is FRW 36,300,000.

What is the labor cost per hour?

- A FRW 8,250
- B FRW 8,800
- C FRW 9,167
- D FRW 11,000

(2 Marks)

The following information relates to Question 30 and 31

Mwizerwa Ltd is a company dealing in production wedding cake in Kayonza city, you are hired as a management accountant trainee at Mwizerwa Ltd. You have received management accounting report from management accountant that require you to calculate prime cost, variable cost, total cost of production of this product:

Direct material 10 kg per unit,	FRW 50 per kg
Direct labor 2 hours per unit,	FRW 100 per labor hour
Direct expense was	FRW 400 per unit
Selling and distribution expense	FRW 90,000
Fixed overhead	FRW 125,000
200 units were produced per week	

QUESTION 30

Which is the prime cost?

- A FRW 200,000
- B FRW 220,000
- C FRW 140,000
- D None of the above

(2 Marks)

QUESTION 31

What is the total production cost of this product?

- A FRW 345,000
- B FRW 325,000
- C FRW 265,000
- D None of above

(2 Marks)

QUESTION 32

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

- A Responsible for revenue but not cost
- B Responsible for revenues and cost
- C Responsible for revenue, costs and investment
- D Responsible for costs but not revenues

(2 Marks)

QUESTION 33

A company uses alpha-numeric coding systems that uses a five-digit code to record their two very similar types of raw materials as follow, AZ099 and AZ100. When the company undertakes an inventory check it finds some differences as shown below:

Product	Inventory Record	Inventory Count
AZ099	1,000	790
AZ100	800	1,010

What is the most likely reason for the difference between the inventory record and the inventory count for each bracket?

- A Production was higher than expected
- B Some of raw materials were damaged during production
- C A Customer asked the company to supply some extra brackets of both types
- D Some raw materials were put in the incorrect storage racks

(2 Marks)

QUESTION 34

There are different methods of business remuneration. Which one of these sentences is not true based on bonus systems?

- A. A time saved bonus is paid if the employee performs a task in a shorter time than the standard time allowed
- B. A discretionary bonus is paid if the employer judges that the employee deserves one.
- C. A group bonus scheme pays a bonus to all workers who contributed to a successful job.
- D. A profit-sharing scheme pays a proportion of the business's profits to employees and the size of the proportion paid does not reflect the level of responsibility

(2 Marks)

The following relates to Question 35 and 36

Gubwaneza Company Ltd is a company which operates in production of maracuja juice. The management recently said that the production department does not operate efficiently, they provide to you the following data for help to analyze what was happen detailed report of budgeted and actual costs for the month ended on 31 December 2021.

Cost type	Budget FRW '000'	Actual FRW '000'
Material	52,500	48,940
Labor	65,700	69,350
Production overheads	12,840	12,070

QUESTION 35

What is the labor variance for the month of December 2021?

- A FRW 3,650 Favorable
- B FRW 3,650 Adverse
- C FRW 3,560 Favorable
- D FRW 3,560 Adverse

(2 Marks)

QUESTION 36

What is the production overhead variance for the month of December 2021?

- A FRW 707 Adverse
- B FRW 770 Adverse
- C FRW 707 Favorable
- D FRW 770 Favorable

(2 Marks)

QUESTION 37

If too much inventory is held, holding costs will be incurred unnecessarily. But if too little inventory is held, the business may run out of inventory and incur stock out costs.

Among the following sentences, which one does not describe stock out costs?

- A Labor inefficiency costs due to frustration over stoppages
- B Loss of future sales due to disgruntled customers
- C Loss of customer goodwill as the product they require is not available
- D None of the above are not a cost of stock out

(2 Marks)

QUESTION 38

Which of the following correctly describes a unit cost?

- 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 Centres having the responsibility of generating and maximizing profits.
- D It is also known as cost per unit, it is the amount of cost incurred to produce one unit of a product.

(2 Marks)

QUESTION 39

Which of the following remuneration methods is appropriate when the quantity of output cannot be measured reliably?

- A Time-rate
- B Piecework
- C Differential piece rate
- D None of the above

(2 Marks)

QUESTION 40

Which one of the following is not a management decision?

- A Whether or not to expand the business
- B how to advertise and market the product
- C whether to rent more warehouse space
- D Change of regulation policy

(2 Marks)

QUESTION 41

Which of the statement is not true as far as the relationship between financial and management accounting is concerned?

- A Financial accounting concentrates on the business as whole while management accountant focuses only on specific organization's activities.
- B Most financial accounting information incorporate monetary measures
- C Financial accounts detail the performance of an organization over a defined period while management accounts are used to aid management to record, plan and control an organization's activities and help in the decision-making process.
- D It is legal requirement to prepare management accounts

(2 Marks)

QUESTION 42

SOMA Ltd is a company which deals in the supply of Yoghurt to different supermarkets located in Kigali.

Which of the following would be the best Inventory valuation method for SOMA Ltd?

- A First In, First Out
- B Weighted average pricing
- C Last In, Last Out
- D All of the above

(2 Marks)

QUESTION 43

Which of the following sentence does not describe the element of ordering cost?

- A Production run costs, if an organization manufactures its own components.
- B Clerical and administrative costs associated with purchasing, accounting for and receiving goods
- C Insurance premium costs paid for Held of inventories at a large quantity to avoid insufficient.
- D All the above sentence describes ordering cost

(2 Marks)

The following information relates to Question 44,45,46, 47 and 48

The following transactions were extracted from the inventory records of SIMBA Ltd, a distributor of FURAHA Group liquor products for the first five month of 2023:

Date	Transaction	Quantity	Unit purchase Price (FRW)
01 January	Opening balance	1,000	12,000
10 February	Receipt	400	15,000
20 March	Sales	1,100	16000
25 May	Receipt	800	10,000
30 June	Sales	500	14000

QUESTION 44

Which of the following would be the value of closing stock using FIFO?

- A FRW 12,000,000
- B FRW 6,000,000
- C FRW 18,000,000
- D None of the above

(2 Marks)

QUESTION 45

Which of the following would be the value of closing stock if LIFO were used?

- A FRW 12,000,000
- B FRW 11,600,000
- C FRW 6,600,000
- D None of the above

(2 Marks)

QUESTION 46

Which of the following was the value of cost of goods sold for SIMBA Ltd by using LIFO?

- A FRW 35,000,000
- B FRW 29,600,000
- C FRW 12,000,000
- D None of the above

(2 Marks)

QUESTION 47

Which of the following was the value of Cost of goods sold by using FIFO?

- A FRW 29,600,000
- B FRW 35,600,000
- C FRW 35,000,000
- D None of the above

(2 Marks)

QUESTION 48

Identify the value of gross profit for SIMBA Ltd in the following figures assuming LIFO method was used.

- A Loss of FRW 10,400,000
- B FRW 11,000,000
- C FRW 10,400,000
- D None of the above

(2 Marks)

QUESTION 49

MUKWIYE Ltd produces and sells Hygienic paper, the company received an offer to supply fifty thousand (50,000) hygienic paper to BWIZA nursery school in November 2023 the warehouse manager has reported that currently they have 10,000 hygienic paper in stock and they wish to end November with at least 30,000 hygienic paper in stock to meet Dember 2023 demand.

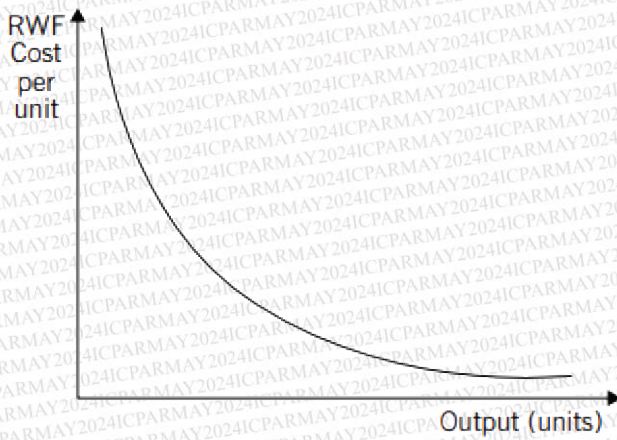
What would be the number of hygienic papers to be produced to meet the requirements of warehouse manager

- A 30,000 papers
- B 50,000 papers
- C 80,000 papers
- D 70,000 papers

(2 Marks)

QUESTION 50

Which Description best fits the cost curves?



- A** Direct material cost per unit
- B** Fixed production cost per unit
- C** Direct labor cost per unit
- D** Variable production cost per unit

(2 Marks)

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