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**CERTIFIED ACCOUNTING TECHNICIAN  
STAGE 2 EXAMINATIONS**

**S2.2 MANAGING COSTS AND CASH FLOWS**

**DATE: THURSDAY 30, MAY 2024**

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**INSTRUCTIONS:**

- 1. Time allowed: 2 Hours and 30 Minutes.**
- 2. This paper has 50 multiple-choice questions; each question has two (2) marks**
- 3. All the 50 questions are to be attempted**
- 4. The question paper should not be taken out of the examination room.**



## SECTION A

### QUESTION ONE

Abaho Company Limited is considering investing in two projects whose initial investment is expected to be FRW 10,000,000. The business policy is to invest in projects with a payback period of three years or less. The cash flows of the two projects are shown below:

| Year | Cash inflows for project A (FRW) | Cash inflows for project B (FRW) |
|------|----------------------------------|----------------------------------|
| 1    | 2,000,000                        | 2,500,000                        |
| 2    | 2,500,000                        | 3,000,000                        |
| 3    | 3,000,000                        | 5,500,000                        |
| 4    | 4,000,000                        | 6,000,000                        |
| 5    | 3,000,000                        | 4,000,000                        |

The cash flows are evenly distributed throughout the year.

**Which of the following projects should be considered for investment?**

- A. Only project A
- B. Only project B
- C. Neither project
- D. Both projects

(2 Marks)

### QUESTION TWO

**Which of the following statements concerning the payback period is not true?**

- A. The payback period is simple to calculate and understand.
- B. It ignores the time value of money
- C. The payback period measures the time that a project will take to generate enough cash flows to cover the initial investment.
- D. The payback period covers all the cash flows for the investment.

(2 Marks)

### QUESTION THREE

**Which type of cash flows would describe the purchase of new non-current assets for the company?**

- A. Regular cash flows.
- B. Exceptional cash flows
- C. Fixed and variable cash flows.
- D. None of the above.

(2 Marks)



The following data are relating to the question FOUR and FIVE

Mr. Kamugisha requested a loan of FRW 10 million from Tuzamuke Bank Ltd to be repaid at the end of 4 years at an interest rate of 10% per annum. He was required to sign a loan agreement but before signing the loan officer explained to him various types of conditions that would appear in that agreement.

#### QUESTION FOUR

What would be Mr. Kamugisha's repayment for the second year to the bank if compound interest was used?

- A. FRW 8,000,000
- B. FRW 8,264,463
- C. FRW 6,000,000
- D. None of the above

(2 Marks)

#### QUESTION FIVE

Which of the following is not the main type of conditions that would appear in the loan agreement?

- A. The guarantor for the loan
- B. The term of the loan
- C. The interest rate
- D. The repayment schedule

(2 Marks)

#### QUESTION SIX

Which of the following is not a production cost?

- A. Depreciation of plant and machinery
- B. Factory rent
- C. Managing Director's salary
- D. Factory heating and lighting

(2 Marks)

#### QUESTION SEVEN

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

- A. Responsibility for revenues, cost and investment
- B. Responsibility for costs but not revenues
- C. Responsibility for revenues but not costs
- D. Responsibility for revenues and costs

(2 Marks)



## QUESTION EIGHT

Consider below production cost behaviors:

- i. Step-fixed costs are costs that are fixed over a relatively small range of activity level but then increase in steps when certain levels of activities are not reached.
- ii. Semi-variables are costs which contain both fixed and variable components and so are partly affected by the level of activity

Which of the following is/are true or false?

- A. Both statements are true,
- B. Statement (i) is true and statement (ii) is false,
- C. Both statements are false,
- D. Statement (i) is false and statement (ii) is true

(2 Marks)

## QUESTION NINE

The absorption costing is a method of sharing overheads between a number of different products or services on fair basis.

- i. Allocation
- ii. Costing
- iii. Apportionment
- iv. Absorption

Which of the above are steps for absorption costing procedures?

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

(2 Marks)

## QUESTION 10

A small engineering company that makes generators specifically to customers' own designs has had to purchase some special tools for a particular job. The tools will have no further use after the work has been completed and will be scrapped.

How should the cost of these tools be treated?

- A As variable production overheads
- B As fixed production overheads
- C As indirect expenses
- D As Direct Expense

(2 Marks)



**The following information relates to question 11 ,12 ,13,14 and 15**

Set out below are the statement of profit or loss and statement of financial position for MUKURA Ltd a company which deals in distribution of cosmetic products in Musanze city.

**Comparative Statement of profit or loss**

| Particulars                       | 2023     |                | 2022     |                |
|-----------------------------------|----------|----------------|----------|----------------|
|                                   | FRW''000 |                | FRW''000 |                |
| Sales                             | 500,000  |                | 450,000  |                |
| Cost of sales                     | 300,000  |                | 350,000  |                |
| Gross profit                      |          | <b>200,000</b> |          | <b>100,000</b> |
| Administrative expenses           | 20,000   |                | 17,000   |                |
| selling and distribution expenses | 10,000   |                | 12,000   |                |
| finance cost                      | 30,000   |                | 25,000   |                |
| Total                             |          | <b>60,000</b>  |          | <b>54,000</b>  |
| Profit before tax                 |          | <b>140,000</b> |          | <b>46,000</b>  |
| CIT                               |          | 42,000         |          | 13,800         |
| Profit for the year               |          | <b>98,000</b>  |          | <b>32,200</b>  |

**Comparative Statement of Financial Position**

| Particulars                         | 2023     |                | 2022     |                |
|-------------------------------------|----------|----------------|----------|----------------|
|                                     | FRW''000 |                | FRW''000 |                |
| <b>Non-Current Asset</b>            |          |                |          |                |
| Land                                | 50,000   |                | 40,000   |                |
| Motor vehicles                      | 30,000   |                | 42,000   |                |
| Furniture and fittings              | 30,000   |                | 30,000   |                |
|                                     |          | <b>110,000</b> |          | <b>112,000</b> |
| <b>Current Asset</b>                |          |                |          |                |
| Inventory                           | 12,000   |                | 10,000   |                |
| trade receivables                   | 8,000    |                | 9,000    |                |
| cash and cash equivalent            | 7,000    |                | 6,500    |                |
|                                     |          | <b>27,000</b>  |          | <b>25,500</b>  |
| <b>TOTAL ASSET</b>                  |          | <b>137,000</b> |          | <b>137,500</b> |
| <b>Equity and Liabilities</b>       |          |                |          |                |
| Net Equity                          |          | <b>110,000</b> |          | <b>111,000</b> |
| <b>Noncurrent liabilities</b>       |          |                |          |                |
| 10-year bank loan                   | 17,000   |                | 18,000   |                |
| <b>Current liabilities</b>          |          |                |          |                |
| Trade payables                      | 10,000   |                | 8,500    |                |
| <b>Total liabilities</b>            |          | <b>27,000</b>  |          | <b>26,500</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b> |          | <b>137,000</b> |          | <b>137,500</b> |



**QUESTION 11**

**Which of the following represent current ratio for the year 2023?**

- A 2.7:1
  - B 1:1
  - C 0.37:1
  - D None of the above
- 2 Marks)**
- 

**QUESTION 12**

**Which of the following represent acid test ratio for the year 2023?**

- A 2.7:1
  - B 1.5: 1
  - C 0.6:1
  - D None of the above
- (2 Marks)**
- 

**QUESTION 13**

**Which of the following represent inventory holding period for the year 2023?**

- A 14.6 days
  - B 8.76 days
  - C 21.9 days
  - D None of the above
- (2 Marks)**
-



### QUESTION 14

Which of the following represent Trade receivables collection period for the year 2023?

- A 14.6 days
- B 9.7 days
- C 5.8 days
- D None of the above

(2 Marks)

### QUESTION 15

Which of the following represent Trade payables payment period for the year 2023?

- A 12 days
- B 7 days
- C 18 days
- D None of the above

(2 Marks)

### QUESTION 16

Which of the following best describes a discount factor?

- A A discount factor is a factor applied to a future cash flow to find its present value
- B A discount factor is a factor used to offer discounts to customers
- C A discount factor is a factor applied to a past cash flow to find its present value
- D A discount factor is a factor used to monitor cash flows in a business

(2 Marks)

### QUESTION 17

Which of the following best describes the term Diversification?

- A A process of reducing risk by increasing the number of separate investments in a portfolio
- B A process of reducing risk by decreasing the number of separate investments in a portfolio
- C A process of increasing return by increasing a single investment in a portfolio
- D A process of increasing risk by decreasing the number of separate investments in a portfolio

(2 Marks)

### QUESTION 18

Total Costs incurred by a business may be expressed as  $Y = a + bX$

Where

Y represents the Total cost

A represents Total Fixed Costs

B represents the variable cost per unit

X represents the number of units of output

A company has variable Costs of FRW 122 per unit and total costs, for output of 740 units in a period was FRW 156,980



**Using the above formula and information, what are the fixed costs for the period?**

- A** FRW 156,980
- B** FRW 66,700
- C** FRW 90,280
- D** FRW 247,260

**(2 Marks)**

**QUESTION 19**

ABACUZI Company ltd is located in Gakiriro and it manufactures Metal suitcases. This company plans to make 140 suitcases each month. The direct materials costs are budgeted to be FRW 23,000 per suitcase. It is expected to take 4 labor hours to make each suitcase at a labor rate of FRW 12,000 per hour.

**How much is the estimated direct cost to manufacture the budgeted number of suitcases for one year?**

- A** FRW 119,280,000
- B** FRW 4,900,000
- C** FRW 9,940,000
- D** FRW 58,800,000

**(2 Marks)**

**QUESTION 20**

Assume the interest rate in Rwanda has been recently reduced. **Which of the following is the most likely result from a reduction in interest?**

- A.** A decrease in consumer spending
- B.** A decrease in borrowing
- C.** An increase in savings
- D.** An increase in spending

**(2 Marks)**

**QUESTION 21**

**Which of the following is not the reason for holding inventory for a manufacturing company?**

- A.** To provide a buffer between processes
- B.** To meet any future shortage
- C.** To make more profits from the sale finished products
- D.** To take advantage of bulk purchasing discounts

**(2 Marks)**



### QUESTION 22

Below are statements relating to long term decision making:

- i. The present value is the discounted value of a present cash flow converted into its equivalent terms cash flows values by now.
- ii. The time value of money is the fact that money received or paid in the future is worth more than money received or paid now due to the risk, consumption and investment preferences.

Which of above are true or false stated?

- A. Both statements are true
- B. Statement (i) is true and statement (ii) is false
- C. Both statements are false
- D. Statement (i) is false and statement (ii) is true

(2 Marks)

### QUESTION 23

The following information has been extracted from SAP Ltd's purchase ledger control account for the year ended 31 December 2023:  
SAP Ltd's purchase ledger control extract

| Description                    | Amount (FRW 'million') |
|--------------------------------|------------------------|
| Opening trade payables         | 40,000                 |
| Closing trade payables         | 20,000                 |
| Cash paid to suppliers in cash | 300,000                |

What is the amount of purchases to be included in the statement of profit or loss in FRW'million'?

- A FRW 280,000
- B FRW 300,000
- C FRW 320,000
- D None of the above

(2 Marks)



### QUESTION 24

If the materials have no resale value and/or other possible use, what would be the relevant cost of using those materials for any other opportunity under consideration?

- A. Its current resale value,
- B. The value it would obtain if it were put to an alternative use,
- C. Its purchase cost,
- D. Nil

(2 Marks)

### QUESTION 25

APO Ltd is manufacturing product AA through two production cost centres; Stage 1 and Stage 2. The overheads and other details for these cost centres are as follows:

|                 | Stage 1     | Stage 2     |
|-----------------|-------------|-------------|
| Machine hours   | 50,000      | 40,000      |
| Labour hours    | 100,000     | 50,000      |
| Overhead ( FRW) | 150,000,000 | 200,000,000 |

The management has decided that the overheads are to be absorbed on the basis of labour hours in stage 1 cost centre and machine hours in the stage 2 cost centre.

What is the overhead absorption rate per hour in each APO Ltd's cost centre?

- |    | Stage 1 | Stage 2 |
|----|---------|---------|
| A. | 1,500   | 4,000   |
| B. | 3,000   | 5,000   |
| C. | 1,500   | 5,000   |
| D. | 3,000   | 4,000   |

(2 Marks)

### QUESTION 26

Which of the following is not the reason for labour turnover in a company?

- A. Motivation for an employee to work elsewhere
- B. Lack of opportunity for career enhancement
- C. Poor relationships between management and staff
- D. Jobs requiring employees to work unsociable hour

(2 Marks)



### QUESTION 27

Mr. Naramé has been paying rent for eight months from February but his land lord has decided to increase the rent effective from November

**Which type of cost is Mr. Naramé expected to incur in case he continues to rent the house?**

- A. Fixed cost
- B. Semi variable cost
- C. Uncontrollable cost
- D. Variable cost

(2 Marks)

### QUESTION 28

Given the following statements on forecasting income and expenditure:

- i. Cyclical variation is long term movement is a time series due to general economic conditions,
- ii. Random variations are variations in time series figures due to random or unexpected events,

**Which of the above is/are true or false?**

- A. Statement (i) is true and statement (ii) is false
- B. Statement (i) is false and statement (ii) is true
- C. Both statements are false
- D. Both statements are true

(2 Marks)

### QUESTION 29

**When preparing cash budget which of the following items would not be included?**

- A. Receipt of cash sales
- B. Payment of wages and salaries
- C. Purchase of assets
- D. Depreciation

(2 Marks)



### QUESTION 30

A Company carries out production in accordance with the special requirement of each customer.

**Which costing method is most appropriate in costing such customers?**

- A Batch Costing
- B Job Costing
- C Process Costing
- D Service Costing

(2 Marks)

**The following data relates to questions 31, 32, and 33:**

As appointed as Accountant consultant ALPA Ltd business and you are request to prepare its Cash budget for December 2023. Given following information:

- The cash balance on the 1<sup>st</sup> December 2023 is FRW 40,000.
- Actual service sales for October and November and expected sales for December 2023 are as follows: Cash Sales: FRW 65,000 for October; FRW 70,000 for November and FRW 83,000 for December. Credit sales: Frw400,000 for October, FRW 525,000 for November and FRW 600,000 for December.
- Service Sales on account are collected over a three-month period as follows: 20% collected in the month of sale, 60% collected in the month following sale, and 18% collected in the second month following sale. The remaining 2% is uncollectible.
- Purchases of supplies inventory will total FRW 280,000 for December 2023. A half of a month's supply inventory purchases are paid during the month of purchase. The accounts payable remaining from November's inventory supply purchases total FRW 161,000, all of which will be paid in December 2023.
- A new web server for the District costing FRW 76,000 will be bought and paid in cash during December 2023.

### QUESTION 31

**What is the total Cash Disbursements (payments) for December?**

- A. FRW 517,000
- B. FRW 377,000
- C. FRW 562,500
- D. No right answer

(2 Marks)



**QUESTION 32**

**What is the total bad debt expenses originating from entire background?**

- A. FRW 20,000
- B. FRW 562,500
- C. FRW 30,500
- D. No right answer

**(2 Marks)**

**QUESTION 33**

**What is the balance of December receivables?**

- A. FRW 562,500
- B. FRW 253,000
- C. FRW 590,000
- D. No right answer

**(2 Marks)**

**QUESTION 34**

**A company has a current ratio of 2:1 and current liabilities of FRW 50,000. What is its current assets value?**

- A. FRW 25,000
- B. FRW 50,000
- C. FRW 75,000
- D. FRW 100,000

**(2 Marks)**

**QUESTION 35**

**GASAMAZA limited has an overdraft limit of FRW 6,000,000. In the month of March 2024, the Company overdraw FRW 2,500,000. Overdraft Interest is Charged at 12% Per Annual.**

**What is the Overdraft Interest Charged in March?**

- A. FRW 720,000
- B. FRW 300,000
- C. FRW 25,000
- D. FRW 60,000

**(2 Marks)**



The following data relates to questions 36 and 37:

MUTO Investments is a company located in Gisenyi. The company is considering an investment in equipment worth FRW 200 million on 1 January. MUTO Investments is expecting to earn net cash flows in the table below over a period of five years from the usage of the equipment:

| Period        | PVIF at 10% | FRW '000' |
|---------------|-------------|-----------|
| January 2024  | 0.9091      | 100,000   |
| February 2025 | 0.8265      | 120,000   |
| March 2026    | 0.7513      | 95,000    |
| April 2027    | 0.6830      | 150,000   |
| May 2028      | 0.6209      | 75,000    |

The equipment is depreciated at 10% per annum on cost.

**QUESTION 36**

What is the Net Present Value (NPV) of MUTO Investment's project in FRW'000'?

- A FRW 200,000
- B FRW 410,481
- C FRW 210,481
- D None of the above

(2 Marks)

**QUESTION 37**

Which of the following is NOT a financial instrument that are traded in the money market?

- A Certificate of deposit
- B Bills
- C Government bonds
- D Cash and cash equivalent

(2 Marks)



### QUESTION 38

A company is Considering increase its Credit period to Customers from one month to another. Annual revenue is currently FRW 1,200,000. It is expected that the increased credit period would increase sales by 25% and result in an increase in profit of FRW 45,000, before taking into account any increase in finance charges. The Company's cost of capital is 10%.

**What is the financial effect of this proposal, after taking into account any increase in finances charges?**

- A Increase in Profit of FRW 60,000
- B Decrease in Profit of FRW 60,000
- C Increase in profit of FRW 30,000
- D Decrease in Profit of FRW 30,000

(2 Marks)

### QUESTION 39

**Which of the following is NOT a possible basis for absorption?**

- A Rate per machinery
- B Rate per direct labour hour
- C Rate per unit
- D A percentage of direct labour cost

(2 Marks)

### QUESTION 40

**Which of the following is not among key elements in corporate governance?**

- A. Good governance provides a framework for an organization to pursue its strategy in an ethical and effective way from the perspective of all stakeholder groups affected, and offers safeguards against misuse of resources, physical or intellectual,
- B. Good governance is not just about externally established codes, it also requires a willingness to apply the spirit as well as the letter of the law,
- C. The management and reduction of risk is not a fundamental issue in all definitions of good governance; whether explicitly stated or merely implied
- D. None

(2 Marks)



### QUESTION 41

The following are the best to describe the meaning of inflation?

- i. A rise in the general level of price of goods and services in the economy,
- ii. A rise in the purchasing value of money,
- iii. A fall in the general level of price of goods and services in the economy
- iv. A fall in the purchasing value of money,

From above statements, the best to describe the meaning of inflation are:

- A. (i) and (ii) only
- B. (ii) and (iii) only
- C. (i) and (iv) only
- D. (iii) and (iv) only

(2 Marks)

### QUESTION 42

Which of the following statements about breakeven point is correct?

- A. The breakeven point is the level of sales whereby sales revenue is less than total costs.
- B. The breakeven point is the level of sales whereby sales revenue is greater than total costs.
- C. The point at which the business's total revenues are equal to total cost
- D. None of the above

(2 Marks)

### QUESTION 43

ASSAR Ltd is a commercial bank located in KAYONZA. The Bank's total non-performing loans were FRW100 million for August 2023. It is anticipated that non-performing loans will rise by 2% per month after August.

What is the value of non-performing loans for October 2023?

- A. FRW102 million
- B. FRW104.04 million
- C. FRW100 million
- D. None of the above

(2 Marks)



### QUESTION 44

A company had opening inventory of 48,500 units and closing inventory of 45,500 units. Profits based on marginal costing was FRW 315,250,000 and profit on absorption costing was FRW 288,250,000.

**What is the fixed Production overhead absorption rate per unit?**

- A FRW 6,500
- B FRW 6,335
- C FRW 9,000
- D None of the Above

(2 Marks)

### QUESTION 45

**A company's cash flow statement shows:**

- A The company's net income for a specific period
- B The company's assets and liabilities at a specific point in time
- C The company's cash inflows and outflows during a specific period
- D The company's revenue and expenses for a specific period

(2 Marks)

### QUESTION 46

**What is the purpose of cash flow forecasting?**

- A To determine the profitability of the business
- B To track the movement of inventory in and out of the business
- C To predict future cash inflows and outflows
- D To calculate the accounting rate of Return (ARR)

(2 Marks)



**The following information relates to questions 47 to 49**

Provided below is the extract of Mugisha Company Ltd.'s cash budget for the month of October.

|                       | <b>Budgeted cash flows FRW<br/>'000'</b> | <b>Actual cash flows FRW<br/>'000'</b> |
|-----------------------|--|--|
| Cash sales            | 350,000                                  | 420,000                                |
| Credit sales          | 150,000                                  | 180,000                                |
| Rental income         | 150,100                                  | 138,000                                |
| Wages                 | 50,900                                   | 50,800                                 |
| Dividend payment      | 10,000                                   | 10,000                                 |
| Rental payment        | 65,000                                   | 78,000                                 |
| Purchase of equipment |  | 50,000                                 |

You are hired to monitor the control of this budget

**QUESTION 47**

**What is the variance for cash sales?**

- A. FRW 70,000 Adverse
- B. FRW 30,000 Favourable
- C. FRW 30,000 Adverse
- D. FRW 70,000 Favourable

(2 Marks)

**QUESTION 48**

**What is the variance for rental payment?**

- A. FRW 13,000 Adverse
- B. FRW 12,100 Favourable
- C. FRW 13,000 Favourable
- D. FRW 12,100 Adverse

(2 Marks)

**QUESTION 49**

**What is the variance for rental income?**

- A. FRW 12,100 Favourable
- B. FRW 12,100 Adverse
- C. FRW 13,000 Adverse
- D. FRW 13,000 Favourable

(2 Marks)



**QUESTION 50**

**Which of the following would be classified as indirect labour?**

- A. A maintenance assistant in a factory maintenance department**
- B. A committee in a firm of management consultants**
- C. Machine operator in a manufacturing company**
- D. Plumbers in a construction company**

**(2 Marks)**

**End of question paper**



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