



ICPAR
Unlimited possibilities

**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS**

S3.2: MANAGEMENT ACCOUNTING

DATE: THURSDAY, 01 DECEMBER 2022

INSTRUCTIONS:

1. Time allowed: **3 hours**.
2. This examination has **three sections: A, B and C**.
3. Section A has **10** multiple choice questions equal to 2 marks each.
4. Section B has **2** questions equal to 10 marks each.
5. Section C has **3** questions equal to 20 marks each.
6. All questions are compulsory.

The question paper should not be taken out of the examination room.

SECTION A

QUESTION ONE

The manager of a profit centre has control over the following;

- (i) Selling prices
- (ii) Controllable costs
- (iii) Apportioned head office costs
- (iv) Capital investment in the centre

- A All of the above
- B (i), (ii) and (iii)
- C (i), (ii) and (iv)
- D (i) and (ii)

(2 Marks)

QUESTION TWO

The following data relate to the overhead expenditure of contract of cleaners at two activity levels.

	Activity one	Activity two
Square metres cleaned	13,500	15,950
Overheads	FRW 84,865	FRW 97,850

Using high lower method, what is the total costs if 18,300 square metres are to be cleaned?

- A FRW97,850
- B FRW110,305
- C FRW 113,538
- D None of the above

(2 Marks)

QUESTION THREE

A production worker is paid a salary of FRW650,000 per month, plus an extra FRW 5,000 for each unit produced during the month. **This type of labour cost is described as,**

- A A variable cost
- B A fixed cost
- C A step cost
- D A semi-variable cost

(2 Marks)

QUESTION FOUR

Data relating to a particular stores item are as follows:

- Average daily usage 400 units
- Maximum daily usage 520 units
- Minimum daily usage 180 units
- Lead time for replenishment of inventory 10 to 15 days
- Reorder quantity 8,000 units

What is the reorder level (in units) which avoids stockouts (running out of inventory)?

- A 4,000 unit
- B 6,000 unit
- C 7,800 unit
- D None of the above

(2 Marks)

QUESTION FIVE

The following data relate to work in the finishing department of a certain factory.

- Normal working day 7 hours
- Basic rate of pay per hour FRW 5,000
- Standard time allowed to produce 1 unit: 4 minutes
- Premium bonus payable at the basic rate 60% of time saved
- On a particular day one employee finishes 180 units using 7 hours.

What is his gross pay for the day?

- A FRW 35,000
- B FRW 50,000
- C FRW 15,000
- D None of the above

(2 Marks)

QUESTION SIX

CTF Ltd has two service centres serving two production departments. Overhead costs apportioned to each department are as follows.

	Production departments		Service centres	
	Mixing	Stirring	Stores	Canteen
	FRW	FRW	FRW	FRW
Allocated and apportioned overheads	216,000	78,800	181,600	47,200
Estimated work done by the service centres for the other departments				
Stores	50%	30%	-	20%
Canteen	60%	40%		

The business uses the direct method of apportionment.

After the apportionment of the service centres to the production departments, **what will be the total overhead cost for the mixing department?**

- A FRW 523,600
- B FRW 216,000
- C FRW 306,800
- D FRW 356,912

(2 Marks)

QUESTION SEVEN

Under absorption costing, the total cost of a product will include:

- A Direct costs only
- B Variable costs only
- C All direct and indirect costs excluding a share of fixed overhead
- D All direct and indirect costs

(2 Marks)

QUESTION EIGHT

A company calculates the prices of jobs by adding overheads to the prime cost and adding 30% to total costs as a mark-up. Job number Y256 was sold for FRW 1,690,000 and incurred overheads of FRW 694,000. **What was the prime cost of the job?**

- A FRW 1,690,000
- B FRW 606,000
- C FRW 390,000
- D FRW 1,300,000

(2 Marks)

QUESTION NINE

A chemical process has a normal wastage of 10% of input. In a period, 2,500 kgs of material were input and there was an abnormal loss of 75 kgs. **How many quantities of good production was achieved?**

- A 2,175 kgs
- B 2,250 kgs
- C 2,500 kgs
- D 2,425 kgs

(2 Marks)

QUESTION 10

The information below relate to the month of June 2021.

	Flexed budget	Actual
Units	2,000 units	2,000 units
Total direct materials	FRW150,000	FRW140,000

What was the total direct material variance?

- A FRW10,000 Adverse
- B FRW10,000 Favourable
- C FRW 10,000
- D None of the above

(2 Marks)

SECTION B

QUESTION 11

The following information relates to the activities in a production department Manzi Factory Ltd (MF Ltd) for the year ended 31 December 2020.

	Hours	FRW
Direct wages		100,000,000
Direct material		200,000,000
Labor hours worked	20,000	
Machine hours used	5,000	
Total overhead chargeable to the department		150,000,000

On Job Number 1234 produced in the department during the year, the relevant data was:

	Hours	FRW
Direct wages		5,000,000
Direct material		12,000,000
Labour hours	900	
Machine hours	250	

Required:

Calculate the total cost of Job number 1234 by using the following methods of overhead absorption:

- i. Labor hours method (2.5 Marks)
- ii. Machine hours method (2.5 Marks)
- iii. Percentage of direct materials (2.5 Marks)
- iv. Percentage of direct wages (2.5 Marks)

(Total:10 Marks)

QUESTION 12

Kaneza & Kamana Garments (KKG) Ltd produces three products for which the following data extract from their records:

DESCRIPTI ON	Products			TOTAL (FRW'000)	
	VIP (FRW'000)	SUITS	SHIRTS (FRW'000)		ROBES (FRW'000)
Sales for the Year		250,000	180,000	150,000	580,000
Total Costs		(200,000)	(200,000)	(120,000)	(520,000)
Profit/Loss		50,000	(20,000)	30,000	60,000

Total costs comprise 75% variable costs and 25% fixed costs.

The directors of (KKG) Ltd consider that the production of product “SHIRTS” resulted in net loss therefore it should be discontinued.

Required:

a) **By the use of Marginal cost statement, determine the effect of discontinuing the production of product entitled “shirts” on the profitability of the company** (7 Marks)

b) **Provide your recommendations to the Board of Directors of (KKG) Ltd in relation to the decision of discontinuing the production of Shirts** (3 Marks)

(Total:10 Marks)

SECTION C

QUESTION 13

Mizero United Manufacturers (MUM) Ltd make Three products namely A, B, C. During the Quarter 2, 2021, the Board of directors requested the management to prepare monthly budget that shall be approved during Board meeting of March 2021. You are a management accountant of the company, and you are also in charge of budgeting. The following information relates to the budgeting of the month of March 2021:

Project monthly sales

Product	Units	Unit price (FRW)
A	1,000	100
B	2,000	120
C	1,500	140

Material cost per unit

Description of material	Unit cost in FRW
M1	4
M2	6
M3	9

Materials requirement per unit of production are:

Product	Quantities used per unit:		
	M1	M2	M3
	Units	Units	Units
A	4	2	-
B	3	3	2
C	2	1	1

Closing stock of finished goods required at end of month-31 March 2021

A	1,100
B	1,650
C	550

Required closing stock of materials at end of month-31 March 2021

M1	31,200
M2	24,000
M3	14,400

Stock of finished goods at the beginning of the month, 1 March 2021

A	1,000
B	1,500
C	500

Stock of materials at the beginning of the month-1 March 2021

M1	26,000
M2	20,000
M3	12,000

Required:**Prepare the budgets for the month of March 2021 showing the following:**

- i) Sales budget in quantity and in value (5 Marks)
- ii) Production quantities budget (5 Marks)
- iii) Material usage budget in quantities (5 Marks)
- iv) Material purchases budget in quantity and in value (5 Marks)

(Total: 20 Marks)**QUESTION 14**

In December 2021, Tourism Ltd requested budget officer to prepare cash budget for board presentation. The information below were made available.

FY2021	SALES (FRW)	PURCHASES (FRW)
April	150,000	100,000
May	160,000	110,000
June	160,000	90,000
July	170,000	90,000
August	200,000	80,000
September	200,000	130,000
October	180,000	140,000
November	180,000	60,000
December	200,000	60,000

The following additional information are relevant:

- 1) Cash in hand at the end of May will be FRW 180,000
- 2) 60% of the sales proceeds are received in the current month, 30% in the following month and the balance is received in two months after the sale
- 3) Suppliers are paid one month after delivery of goods
- 4) Income tax for 2020 of FRW 20,000 was delayed and shall be paid on 30 September 2021
- 5) Tourism Ltd retained contractor's money of FRW 50,000 and will be paid on 30 June 2021
- 6) The shareholders at their recent annual assembly increased share capital by FRW 70,000 and the first call of FRW 40,000 will be received in October 2021
- 7) In October 2021, the company is due to receive FRW 20,000 as compensation of a civil suit
- 8) The monthly administration expenses amounting to FRW33,000 include factory depreciation charge of FRW 7,000
- 9) Office equipment worth FRW 13,000 will be paid for in November 2021

Required:**Prepare cash budget for the period from June 2021 to 31 December 2021****(20 Marks)****(Total: 20 Marks)**

QUESTION 15

a) Mambo LTD is a company headquartered in Kigali, Masoro Free Economic Zone. It has an ambitious strategy that helped to acquire clients very fast hence quick growth in terms of turnover. It is known on higher quality products and it sells them across the region of East Africa. The company produces three joint products named A, B and C.

The following data relates to these products:

	A	B	C
Sales value (FRW)	24,000,000	18,000,000	15,000,000
Units produced (kgs)	180	240	150

The selling costs are 20% of sales value across the products and joint costs are FRW 35,000,000.

Required:

Calculate the profits made by each product apportioning joint costs by use of

- Sales value basis** (3 Marks)
- Physical units basis** (3 Marks)

b) Nyagatare Chicken Feed Ltd specializes in the wholesale of chicken feed. During the month of October 2020, the company had the following transactions related to bags of eggs:

5th October Purchase of 400 bags @ FRW15,000 each

8th October, sales of 300 bags of eggs @ FRW 17,000 each

10th October, Purchases of 600 bags of eggs @ FRW 16,500 each

12th October, Purchases of 700 bags of eggs @ FRW 17,000 each

15th October, sales of 500 bags of eggs @ FRW18,000 each

19th October, Purchases of 500 bags of eggs @ FRW 18,000 each

26th October, Sales of 800 bags of eggs @ FRW 20,000 each

30th October, sales of 500 bags of eggs @ FRW 20,000 each

Note: There was an opening stock of 200 bags of eggs valued at FRW 2,800,000

Required:

- Determine the value of closing stock using FIFO** (8 Marks)
 - Determine gross profit using the stock valuation in (a)** (6 Marks)
- (Total 20 Marks)**

End of question paper