



**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATIONS**

S2.2: MANAGING COST AND CASHFLOWS

DATE: THURSDAY 28, AUGUST 2025

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 statements clearly describes positive correlated investments?

- A In a portfolio of investments where if one investment does well (or badly) it is likely that the other will perform likewise when business has surplus assets that are not being used.
- B In a portfolio of investments where if one investment does well, the other will do badly and vice versa.
- C The performance of one investment will be independent on how the other performs.
- D None of the above

(2 Marks)

QUESTION TWO

The cash budget will highlight the anticipated amount of any cash surplus and the anticipated period during which there will be a cash surplus so the business can plan how to invest such funds most effectively.

Which one of the following is not a main factor that should be considered when determining how to invest any surplus funds?

- A Return
- B Risk
- C Liquidity
- D Source of finance.

(2 Marks)

QUESTION THREE

The greater the level of debt, the more financial risk, to the shareholder of the company, so the higher is their required return.

Which of the following statements best describes the perspectives in which financial risks can be seen?

- A If a company builds up debts that it cannot pay when they fall due, it will be forced into liquidation (The company as a whole).
- B If a company cannot pay its debts, the company will go into liquidation, owing suppliers and lenders money that they are unlikely to recover in full (Suppliers/lenders).
- C A company will not make any distributable profits unless it is able to earn enough profit before interest and tax to pay all its interest charges, and then tax (Ordinary shareholders).
- D All the above

(2 Marks)

QUESTION FOUR

Nyamwangakumva is considering whether to sell goods on credit to **Sebanani** a local trader, and he knows the risks and costs of default will need to be balanced against the profitability of extending the finance.

Which of the following is the statement which shows how Nyamwangakumva will assess creditworthiness of Sebanani?

- A A new customer's credit limit may be fixed at a higher level and only decreased if the payment record subsequently warrants it.
- B Credit ratings might be checked through a credit rating agency.
- C Points would be awarded according to the characteristics of the customer and the amount of credit that is offered would not depend on his or her credit score.
- D None of the above

(2 Marks)

The following information relates to question 5-7

DN Manufacturing company needs to calculate the absorption rates for its assembly cost centre and its finishing cost centre. The assembly cost centre is a largely machine-based cost centre whereas the finishing cost centre is largely labour based. The management of DN Manufacturing company have decided that the assembly cost centre overheads should be absorbed on the basis of machine hours and that the finishing cost centre overheads should be absorbed on the basis of labour hours.

The machine hours in the assembly cost centre are 200,000 whereas the labour hours for the finishing cost centre are 40,000. The overheads for the assembly cost centre are FRW 291,752,000 and the overheads for the finishing cost centre are FRW 151,248,000

QUESTION FIVE

Based on the above information, which of the following is the overhead absorption rate of assembly cost center?

- A FRW 7,294 per labour hour
- B FRW 756 per machine hour
- C FRW 1,458.76 per machine hour
- D None of the above

(2 Marks)

QUESTION SIX

Based on the above information, which of the following is the overhead absorption rate of finishing cost center? *Note: Round off to the nearest whole number*

- A FRW 3,781 per labour hour
- B FRW 756 per machine hour
- C FRW 1,460 per machine hour
- D None of the above

(2 Marks)

QUESTION SEVEN

Which of the following is not the possible overhead absorption base?

- A A percentage of sales value or factory cost (for selling and distribution overhead)
- B A percentage of factory cost (for administration overhead)
- C A rate per unit
- D None of the above

(2 Marks)

The following information relates to question 8-10

WTY Ltd budgets to make 50,000 kg of output (in four direct labour hours each) during a budget period of 200,000 direct labour hours. Actual output during the period was 54,000 kg which took 240,000 direct labour hours to make

QUESTION EIGHT

Using the above information, which will be the efficiency ratio?

- A 120%
- B 90%
- C 108%
- D FRW 300,000

(2 Marks)

QUESTION NINE

Using the above information, which will be the Capacity utilisation ratio?

- A 108%
- B 90%
- C 120%
- D None of the above

(2 Marks)

QUESTION 10

Using the above information will be the Production volume ratio?

- A 108%
- B 120%
- C 90%
- D None of the above

(2 Marks)

QUESTION 11

Clean Manufacturing Co is a company operating in Rwanda and it is specialized in making better quality soaps. The company incurred the following costs in the month of July 2023.

Direct material cost: FRW 2,000,000

Indirect labour cost: FRW 450,000

Direct labour cost: FRW 1,200,000

Indirect labour cost: FRW 840,000

Direct expense: FRW 500,000

Based on the above information, what will be the total prime cost?

- A FRW 3,700,000
- B FRW 4,990,000
- C FRW 4,490,000
- D None of the above

(2 Marks)

QUESTION 12

The area of the business for which both revenues and costs can be ascertained and therefore, a profit or loss for a period can be determined.

Which of the following types of responsibility centres is described above?

- A Cost centre
- B Revenue centre
- C Profit centre
- D Investment centre

(2 Marks)

The following information relates to questions 13 and 14

SN	Cost type	Amount (FRW)
1	Expenditure incurred in conducting the business	5,000,000
2	Maintenance of the existing earning capacity of non-current assets	2,000,000
3	Purchase of goods for resale	12,000,000
4	Purchase of office equipment	7,500,000
5	Purchase of Plant and machinery	21,000,000
	Total	47,500,000

QUESTION 13

Based on the above information, what will be the total capital expenditure?

- A FRW 28,500,000
- B FRW 30,500,000
- C FRW 21,000,000
- D None of the above

(2 Marks)

QUESTION 14

Based on the above information, what will be the total revenue expenditure?

- A FRW 17,000,000
- B FRW 26,500,000
- C FRW 19,000,000
- D None of the above

(2 Marks)

The following question relates to question 15-16

BMZ Manufacturing company Ltd has presented to you the following inventory related information.

Annual consumption: 480,000 units

Ordering cost = FRW 90 per order

Carrying cost = 15% of per-unit purchase price

Per unit purchase price = FRW 40 per unit

Note: Round off to the nearest whole number

QUESTION 15

From the above information, what will be the EOQ?

- A 3,795 units
- B 480,000 units
- C 1,470 Units
- D None of the above

(2 Marks)

QUESTION 16

From the above information, what will be the total ordering costs at the EOQ?

- A FRW 341,550
- B FRW 11,383
- C FRW 90
- D None of the above

(2 Marks)

QUESTION 17

Which of the following is correct about closing receivables calculation?

- A Opening balance - Total collections.
- B Total collections - Total sales
- C Opening balance - Total collections + Total sales
- D Opening balance - Total sales + Total collections

(2 Marks)

QUESTION 18

The following information is available for Rubungo Premium Hotel for the month of October 2023.

Number of rooms available per night	80
Percentage occupancy achieved	70%

Based on the above information, what will be the number of occupied room-nights during the month of October 2023

- A 56 room nights
- B 80 room nights
- C 1,736 room nights
- D 2,480 room nights

(2 Marks)

QUESTION 19

Significant variances will be reported to the manager responsible who will then investigate the cause of the variance and act by either correcting an operational problem if the variance is controllable, or adjusting the budget if it is non-controllable and expected to continue

Which of the following is described in the statement above?

- A Controllable variance
- B Feedforward control
- C Uncontrollable variance
- D Feedback control

(2 Marks)

QUESTION 20

ABC Ltd is considering a project which requires 100 hours of labour. Currently there are 180 hours of spare labour capacity. Workers are paid a rate of FRW 1,000 per hour. An agreement stipulates that staff cannot be laid-off

Based on the above information, what will be the relevant cost of labour to be charged to this project?

- A FRW 180,000
- B FRW 100,000
- C FRW 80,000
- D FRW 0

(2 Marks)

QUESTION 21

ABC Ltd is considering a job that requires 100 kg of material. 350 kg of material are in inventory. The material is no longer available to purchase and if it is not used by ABC Ltd on this proposed job it would be used in the manufacture of product K. Each unit of product K uses 4 kg of material and generates a unit contribution of FRW 1,000.

Based on the above information, what will be the relevant cost of material?

- A FRW 100,000
- B FRW 25,000
- C FRW 350,000
- D None of the above

(2 Marks)

QUESTION 22

KAVUNA & Associates Ltd is an accountancy firm operating in Kigali since 2001. Recently due to the effect of COVID-19 pandemic, the firm experienced dramatic reduction in its service demand hence reduction in revenues by 48%. KAVUNA & Associates Ltd decided to restructure its operations and laid off some of its staffs. As a results, the firm paid around FRW 20,000,000 related to redundancy costs.

From the following types of cash flows, which type can the above stated cost can be classified?

- A Fixed cashflow
- B Irregular cashflow
- C Exceptional cashflow
- D Regular cashflow

(2 Marks)

QUESTION 23

It is characterized by rapidly increasing sales linked to rapidly increasing trade receivables, often with customers taking longer to pay and increases in irrecoverable debts. Inventory increases are also likely in anticipation of future sales increases.

Which of the following has been described by the statement above?

- A Over-capitalization

- B Fiduciary duty
- C Overtrading
- D None of the above

(2 Marks)

QUESTION 24

Which of the statements best describes the meaning of factoring?

- A It is an arrangement to have debts collected by another company which advances a proportion of the money it is due to collect
- B It is the purchase by the provider of the discounting service of trade debts at a discount and it enables the company from which the debts are purchased to raise working capital
- C It is the process of banks taking deposits from customers to lend to others
- D None of the above

(2 Marks)

QUESTION 25

It is the purchase of selected invoices at a discount. It does not take over the administration of the client's sales ledger and a client will only want to have some invoices discounted when they have a temporal cash shortage and so invoice discounting tends to consist of one-off deals.

Which of the following term, is described by the above statement?

- A Financial intermediation
- B Principal/Agent relationship
- C Factoring
- D Invoice discounting

(2 Marks)

QUESTION 26

Pablo & Partners Ltd have non-current assets in the statement of financial position as at 01 January 2023 and on 31 December 2023 of FRW 80 million and 120 million respectively. The statement of profit or loss for the year ended 31 December 2023 shows a FRW 12 million charge for depreciation.

What will be the amount of cash spent on purchase of additional non-current assets during the period ended 31 December 2023?

- A 52 million
- B 28 million
- C 188 million
- D None of the above

(2 Marks)

QUESTION 27

The accountant of **MABONEZA Ltd** recently attended workshop organized by ICPAR whose theme was budgeting in rapidly changing technology world, mainly cash budget and forecast have been deeply discussed. The company has never prepared cash budget and forecast before, and the accountant is keen to introduce this shortly.

Which of the following is the internal source of information for cash budget?

- A Financial statements
- B Management reports
- C Operational budgets
- D All the above

(2 Marks)

QUESTION 28

KALIGANIRE Ltd considering investing in project of buying an equipment whose initial investment is expected to be FRW 15 million. The equipment will be depreciated using straight line method of depreciation over five years with zero scrap value. The profit of the project over its life of five years are shown below

Year	Project X FRW
1	2,000,000
2	2,500,000
3	1,000,000
4	4,000,000
5	6,000,000

Based on the above information, what would be the project's payback period?

- A 4 years and 11 months
- B 4 years and 7 months
- C 3 years and 7 months
- D None of the above

(2 Marks)

The following question relates to questions 29-32

NZIMENYERA Ltd is a manufacturing company operating Kigali Special Economic Zone and it specializes in making notebooks. The company has fixed costs of FRW5,700,000 and variable costs per unit of FRW 650. Selling price per unit is FRW 800. The budgeted production during the period was 45,000 units.

QUESTION 29

Based on the above information, what will be the company's Break-Even point?

- A (38,000 notebooks and FRW 5,700,000)
- B 38,000 notebooks
- C 38,000 notebooks, FRW 30,400,000)
- D FRW 30,400,000

(2 Marks)

QUESTION 30

Based on the above information, what will be the margin of safety in units and in terms of percentage?

- A 7,000 notebooks and 18%
- B 45,000 notebooks and 16%
- C 7,000 notebooks and 16 %
- D 38,000 notebooks and 18%

(2 Marks)

QUESTION 31

Based on the above information, what will be the notebooks production to be made to earn the profit of FRW 10 million? *Note: Round off to the nearest whole number*

- A 104,667 notebooks
- B 38,000 notebooks
- C 83,000 notebooks
- D None of the above

(2 Marks)

QUESTION 32

Based on the above information, what will be the fixed cost when production changes to 200,000 notebooks?

- A FRW 135,700,000
- B FRW 5,700,000
- C FRW 30,400,000
- D None of the above

(2 Marks)

QUESTION 33

Which of the following is not the main reason of absorption costing?

- A Inventory valuations
- B Establishing the profitability of different products or services
- C Establishing the selling prices of different products or services
- D None of the above

(2 Marks)

QUESTION 34

KANAMUGIRE Ltd makes clothes called Rugabire, which has a variable production cost of FRW 10,000 per pair and a sales price of FRW 20,000 per pair. At the beginning of December 2023, there were no opening inventories and production during the month was 30,000 pairs. Fixed costs for the month were FRW 145,000,000 (production, administration, sales and distribution). There were no variable non-production costs

Based on the above information, what will be the contribution per unit using marginal costing principle if 15,000 pairs were sold?

- A FRW 2,750 per pair
- B FRW 10,000 per unit
- C FRW 6,667 per unit
- D FRW 1,833 per unit

(2 Marks)

QUESTION 35

Which of the following is among the types of comparison in budgeting?

- A Comparisons with the budgets
- B Non-financial comparisons
- C Comparison with forecasts
- D All the above

(2 Marks)

QUESTION 36

ZINDUKA Ltd produces a product called Z. During the month of August 2023, the total budgeted material costs were FRW 2,000,000 at 5,000 units. The actual results reveal that at 6,000 units the material costs are FRW 2,400,000.

Using flexible budget, what will be the material cost variance?

- A FRW 400,000 A
- B FRW 400,000 F
- C FRW 0
- D None of the above

(2 Marks)

QUESTION 37

Which of the following components of time series best describe the way the figures are moving in general?

- A Trend
- B Cyclical variation
- C Seasonal variation
- D Random variation

(2 Marks)

QUESTION 38

Weeks	Days	Production (Units)
Week 1	Monday	1400
	Tuesday	1600
	Wednesday	1800
	Thursday	1200
	Friday	2000
Week 2	Monday	2500
	Tuesday	1900
	Wednesday	2100
	Thursday	1450
	Friday	2450

Based on the above information what will be the first trend in units using the five days moving averages?

- A 1,600 units
- B 8,000 units
- C 1,820 units
- D None of the above

(2 Marks)

QUESTION 39

The trend figures for a business's quarterly sales are given below, together with the seasonal variations using the multiplicative model. The seasonal variations and forecast trends have been calculated as follows:

Quarters	Seasonal variation	Forecast trend FRW million
Quarter 1	0.97	380,200
Quarter 2	1.3	385,800
Quarter 3	0.64	391,400
Quarter 4	1.09	397,000

Based on the above information, what will be the estimated sales figure of fourth quarter?

- A FRW 1,553,560
- B FRW 368,794
- C FRW 432,730
- D None of the above

(2 Marks)

QUESTION 40

Time series model where the actual figure is made up of the trend plus the seasonal variation.

Which of the following is described above?

- A Extrapolation
- B Additive model
- C Proportional model
- D None of the above

(2 Marks)

The following information relates to the question 41 and 42

BMX Ltd has the following estimated sales transaction during the quarter ended December 2023.

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Sales quantity	9000	11,000	17,000	15,000	14,500	10,000
Selling price per unit	1000	1,000	12,000	1,500	800	1,100

The following information should be also considered

1. 40% of sales are on cash while 60% is on credit
2. 50% of credit sales is settled in the month following month of sales while the remainder is settled in two months period.

QUESTION 41

Based on the above information what will be the total cash receipts of the month of November 2023?

- A FRW 18,420,000
- B FRW 22,500,000
- C FRW 31,500,000
- D None of the above

(2 Marks)

QUESTION 42

Based on the above information what will be the total cash receipts of the month of December 2023?

- A FRW 17,510,000
- B FRW 16,240,000.0
- C FRW 11,600,000
- D None of the above

(2 Marks)

The following information relates to questions 43 and 44

In the quarter ended 31st December 2023, BMX Ltd rents an office building at FRW 2,000,000 per month which is paid quarterly in advance. The company also pays monthly wages of FRW 2,500,000 one month in arrears.

QUESTION 43

Based on the above information, what will be the cash payment for the month of October 2023?

- A FRW 2,600,000
- B FRW 2,500,000
- C FRW 8,500,000
- D FRW 0

(2 Marks)

QUESTION 44

Based on the above information, what will be the cash payment for the month of November 2023?

- A FRW 2,600,000
- B FRW 2,500,000
- C FRW 8,500,000
- D FRW 0

(2 Marks)

The following information relates to questions 45-46

AMRABAT Traders Ltd started its operation in September 2023. The following transactions for the preparation of cash budget of September to December 2023 were provided.

Monthly sales are 4,000 units at FRW 2,000 per unit, 50% of which are paid immediately while 50% of the credit sales is settled in the following month and the remainder is settled in the following two months

1. The company incurs monthly purchases of FRW 5,600,000 which it pays one month in arrears
2. Rents are paid in advance twice a year on a semester basis, monthly rent is amounting to FRW 300,000
3. It is the company policy to maintain the cash balance of FRW 2,500,000. If it exceeds the surplus is invested in short term investment. If it is a deficit, the company arrange the bank overdraft

QUESTION 45

Based on the above information, what will be the bank overdraft facility that the company will need in the month of September 2023?

- A FRW 400,000
- B FRW 100,000
- C FRW 4,100,000
- D (FRW 5,600,000)

(2 Marks)

QUESTION 46

What is the cash balance before considering the overdraft or short-term investment in the month of October 2023?

- A FRW 2,500,000
- B FRW 400,000
- C FRW 2,400,000
- D FRW 2,100,000

(2 Marks)

QUESTION 47

The following information was extracted from sales ledger control account for month of July 2023.

Details	FRW"000"
Opening balance	900,000
Sales on Credit	4,500,000
Closing balance	1,050,000

What is the cash received from customers in the month of July 2023?

- A FRW 4,350,000
- B FRW 6,450,000
- C FRW 4,650,000
- D FRW 4,500,000

(2 Marks)

QUESTION 48

Pablo traders Ltd has an overdraft on its current account of RWF500 million. The simple annual interest rate charged on this overdraft is 20% with interest applied annually. In order to reduce its overdraft, the company is considering offering early settlement discounts to customers who pay within seven days, rather than the normal terms of 45 days.

What will be the maximum discount that Pablo Traders Ltd should offer to its client?

- A 20%
- B 2.08%
- C 5.5%
- D None of the above

(2 Marks)

QUESTION 49

Damascus Ltd has an overdraft on its current account of FRW 200 million and the simple annual interest rate charged on this overdraft is 18% with interest applied annually. A supplier is offering early settlement discounts to customers who pay within 10 days, rather than the normal terms of 35 days.

What will be the minimum rate of early settlement discount that Damascus Ltd should accept?

- A 18%
- B 0.5%
- C 0.05%
- D 1.23%

(2 Marks)

QUESTION 50

Which of the following is not an example of initial cost of an investment?

- A Charges charged by the financial advisor for the investment advise
- B The difference between buying and selling prices which represents a profit for the broker handling the transaction
- C Dealing charges, including commission and any tax, are payable to the broker carrying out the transaction
- D None of the above

(2 Marks)

End of question paper

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