



CERTIFIED PUBLIC ACCOUNTANT
FOUNDATION LEVEL 2 EXAMINATIONS
F2.1: MANAGEMENT ACCOUNTING
DATE: WEDNESDAY 27, AUGUST 2025

INSTRUCTIONS:

1. Time Allowed: **3 hours 15 minutes** (15 minutes reading and 3 hours for writing).
2. This examination has **seven questions** and **only five questions should be** attempted.
3. Marks allocated to each question are shown at the end of each question.
4. Show all your workings where applicable.
5. The question paper should not be taken out of the examination room.

QUESTION ONE

a) The following information relates to Akagera Ltd for the month of June, 2025

Date	Details	Quantity	Price per Unit
		(Units)	FRW
1 st June, 2025	Opening Inventory	800	4,200
5 th June, 2025	Purchases	1,200	4,500
8 th June, 2025	Purchases	500	4,700
14 th June, 2025	Sales	2,150	6,200
19 th June, 2025	Purchases	1,000	4,800
22 nd June, 2025	Purchases	1,500	4,900
26 th June, 2025	Sales	2,620	6,500
30 th June, 2025	Purchases	1,500	5,000
30 th June, 2025	Sales	1,600	6,700

Required:

- Using Last in First Out (LIFO) method of inventory valuation, **prepare stock ledger card clearly showing the units and value of closing inventory** (7 Marks)
- Calculate the gross profit for the month of June, 2025** (3 Marks)

b) A number of qualities are normally considered to ensure that the management accounting information is used effectively.

Required:

Explain SIX desirable qualities of management accounting information (6 Marks)

c) Simbamatt Ltd is a supermarket that sells a multiple range of fast consumer moving products. Among the many products sold by the supermarket is swissrolls which are baked by the staff of the supermarket in the bakery section. The swissrolls are thereafter packed and sold in the shelves.

The holding cost per unit of each swissroll in the shelves is 10% of the purchase price of raw material used to bake the roll. The purchase price of all the raw materials is FRW 8,000 per unit. The cost of setting up a batch for baking is FRW 9,200 per batch. The annual demand of the swissrolls is 50,000 units. The annual replenishment rate is 200,000 units.

Required:

Calculate the Economic Batch Quantity (4 Marks)

(Total 20 Marks)

QUESTION TWO

a) Safi Ltd operates a factory that is located in the Southern Province of Rwanda. The factory plant was set up and started operations on the 1st July, 2023. The cost of setting up the plant was FRW 560,000,000 and the plant was expected to operate for 5 years before replacement.

On the 30th June, 2025, the Board of Directors made a decision to sell the plant to a foreign investor in Rwanda. The proceeds from the disposal of the plant were FRW 390,000,000.

Required:

- i) Calculate the Depreciation per period for the year ended 30th June, 2024 and 2025 (2 Marks)
- ii) Calculate the Net Book Value of the Plant as at 30th June, 2025 (2 Marks)
- iii) Calculate the profit or loss made by the business if the plant was disposed at the end of the period 30th June, 2025 (2 Marks)

b) Nile Manufacturers Ltd had the following information related the overhead cost of producing its products. Department X is labour intensive while department Y is machine intensive.

	Department X	Department Y
Budgeted Overhead Costs (FRW)	12,000,000	6,500,000
Actual Overhead Costs (FRW)	12,800,000	5,600,000
Budgeted Machine Hours	16,000	10,000
Actual Machine Hours	14,000	11,200
Budgeted Labour Hours	18,000	6,000
Actual Labour Hours	18,500	5,800

Required:

- i) Calculate the Overhead Absorption Rate for Department X and Y (2 Marks)
- ii) Calculate the Overhead Absorbed for Department X and Y (2 Marks)
- iii) Calculate the Over or Under Absorbed Overheads for Department X and Y (2 Marks)

c) Different firms will use cost accounting systems for different purposes. Nevertheless, every system will involve some of the key cost accounting objectives.

Required:

Explain FOUR key objectives of a good cost accounting system (8 Marks)

(Total 20 Marks)

QUESTION THREE

a) Mountain View Regency is a hotel that is located in Musanze District. The Chief Executive Officer of the hotel has asked you as the newly recruited Management Accountant to analyse a number of cost items in order to enable the business know and manage costs of operations. The hotel only operates one type of single self-contained rooms. The room occupancy rate per annum is 80%. The hotel has a total of 64 rooms. Assume the year has 365 days.

The following information relates to the Hotel for the year ended 31st December, 2024

No	Details	FRW
1	Salaries to all staff	60,000,000
2	Rent Cost	45,000,000
3	Electricity Cost	8,200,000
4	Maintenance Cost	6,000,000
5	Materials: Food	44,000,000
6	Materials: Beverages	15,920,000
7	Security	3,650,000
8	Water bills	3,800,000
9	Internet Costs	4,750,000
10	Cleaning Costs	12,000,000
11	Booking Site Costs	8,600,000
12	Other Utilities	2,680,000

Additional information:

- 1) Salaries to all staff are treated as direct costs.
- 2) Maintenance costs, cleaning costs are part of direct costs
- 3) Rent: 50% is classified as direct and the balance as part of administration costs
- 4) Water bill is accounted for as part of variable overheads.
- 5) Booking site cost is part of fixed production costs.
- 6) The remaining costs are treated as fixed non production costs.

The Hotel pricing strategy is to charge a profit margin of 20%.

Required:

- i) Calculate the total cost incurred by the Hotel for the year (clearly show prime cost, marginal cost, absorption cost and total cost) (4 Marks)
- ii) Calculate the total revenue generated by the Hotel for the year (2 Marks)
- iii) Calculate the cost per occupied room (2 Marks)
- iv) Calculate the rate to be charged by the Hotel Guests per room (2 Marks)

b) Stock taking is the physical counting of the stock in store and comparing the stock to what is in the record. There are two methods that a business can use in stock taking. Each method having its own advantages and disadvantages.

Required:

Clearly explain the TWO types of stock taking

(4 Marks)

c) Budgetary control is defined as the establishment of budgets relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results, either to secure by individual action the objective of that policy or to provide a basis for its revision.

Required:

Explain SIX advantages of budgetary control systems

(6 Marks)

(Total 20 Marks)

QUESTION FOUR

a) You have been tasked by the management of Nyungwe Ltd to analyse the performance of the company for the Month of June, 2025. You have been provided with the budgeted and actual results of Nyungwe Ltd for the month of June, 2025 as presented in the subsequent tables:

Budget		
Production / Sales Units	5,000 Units	
		<u>FRW</u>
Total Sales (FRW)		36,000,000
Materials	40,000 Kgs	12,000,000
Labour	15,000 Hrs	8,000,000
Variable Overheads	15,000 Hrs	4,200,000
Fixed Overheads		6,000,000
Actual Results		
Production / Sales Units	5,200 Units	
		<u>FRW</u>
Total Sales (FRW)		37,180,000
Materials	39,600 Kgs	12,870,000
Labour	18,200 Hrs	6,850,000
Variable Overheads	18,200 Hrs	4,420,000
Fixed Overheads		6,200,000

Required:

Calculate the following variances and interpret the variances whether favourable or adverse

i) Sales Volume Variance under absorption costing

(2 Marks)

ii) Materials Price Variance

(2 Marks)

iii) Labour Rate Variance

(2 Marks)

iv) Variable Overhead Expenditure Variance

(2 Marks)

v) Fixed Overhead Expenditure Variance

(2 Marks)

b) A public sector budget is a financial plan outlining government revenues and expenditures for a specific period, usually a fiscal year. It's a crucial tool for managing public resources,

implementing policies, and achieving national development goals. The budget details how the government intends to generate revenue (through taxes, fees, etc.) and how it will allocate those funds across various sectors like healthcare, education, infrastructure, and social welfare

Required:

Explain THREE ways in which the Public Sector Budget Officer ensure that the public sector budget aligns with Citizen priorities (6 Marks)

c) Costs are defined as the sum of expenditure incurred in order to make a product or offer a service. There are different ways to classify costs depending on their unique attributes.

Required:

Explain the following terms, giving examples as used in classification of costs by nature

i) **Prime Costs** (2 Marks)

ii) **Overheads** (2 Marks)

(Total 20 Marks)

QUESTION FIVE

a) **Explain any five factors to be considered before outsourcing** (5 Marks)

b) Kigali Enterprise Ltd is considering the closure of one of its operations (department Z) and the accountant has submitted the following report:

	Department X	Department Y	Department Z
Sales Units	30,000	20,000	10,000
Sales (FRW)	316,000,000	300,000,000	184,000,000
Direct Materials (FRW)	100,000,000	150,000,000	150,000,000
Direct Labour (FRW)	20,000,000	50,000,000	50,000,000
Production Overheads (FRW)	<u>15,000,000</u>	<u>10,000,000</u>	<u>5,000,000</u>
Gross Profit (FRW)	181,000,000	90,000,000	(21,000,000)
Expenses (FRW)	<u>(31,600,000)</u>	<u>(30,000,000)</u>	<u>(18,400,000)</u>
Net Profit (FRW)	<u>149,400,000</u>	<u>60,000,000</u>	<u>(39,400,000)</u>

Additional Information:

- 1) Production overheads of FRW 30,000,000 have been apportioned to the three departments on the basis of unit sales volume
- 2) Expenses are head office overhead, apportioned to departments on sales value.
- 3) As management accountant, you further ascertain that, on a cost driver basis: Half of the so-called direct labour is fixed and cannot be readily allocated.

Required

Prepare a report for management including a restatement of the financial performance in terms of contribution made by each department and making four clear recommendations. (7 Marks)

c) A number of commentators argue that with continuing pressure to control costs and maintain efficiency, the time has come for all public sector organizations to embrace Zero Based

Budgeting. There is no longer a place for incremental budgeting in any organization, particularly public sector ones, where Zero Based Budget is far more suitable

Required:

- i) Explain the difference between Incremental budgets and zero-based budgets (2 Marks)
 - ii) Explain the 3 stages involved in preparation of Zero-Based Budget (6 Marks)
- (Total 20 Marks)**

QUESTION SIX

a) Zawadi Ltd has been using marginal costing method in calculation of profits made by the products it produces and sells.

The following information relates to the month of May and June, 2025 for the company:

	May	June
Sales Units	1,700	2,300
Production Units	2,000	2,000

The closing inventory for the month of April, 2025 is 200 units.

The following were also incurred for the two months of May and June, 2025

	FRW
Selling price per unit	26,000
Direct Material Cost/Unit	13,500
Direct Labour Cost/Unit	6,000
Variable Production Overhead Cost/unit	1,200

Additional information

- 1) The fixed production cost for each month were FRW 4,200,000
- 2) The fixed administration costs for each month were FRW 1,800,000
- 3) The fixed distribution costs for each month were 800,000

Required:

Prepare Marginal Costing Profit Statement for the months of May and June 2025

(12 Marks)

b) Rubavu Greens produces an item which is manufactured in two consecutive processes. Information relating to process 2 is as presented below:

Opening work in progress 1,600 units completed as:

Materials 80% FRW 9,400,000

Conversion 60% FRW 2,000,000

During the month June, 2025 a total of 6,000 units were transferred from process one costing FRW 18,100,000. Conversion cost FRW 23,600,000.

Closing work in progress was 2,000 units completed as:

Materials 80%

Conversion 60%

Note: All working rounded to two decimal places

Required:

Using Average Cost (AVCO) method, **prepare the following:**

- i) **Statement of Equivalent Units** (2 Marks)
- ii) **Statement of Cost per Unit** (2 Marks)
- iii) **Calculate the Value of Closing Work in Progress** (2 Marks)
- iv) **Calculate Value of Output** (2 Marks)

(Total 20 Marks)

QUESTION SEVEN

a) **Explain the following terms as used in cost, volume profit analysis**

- i) **Break Even Point** (1 Mark)
- ii) **Margin of Safety** (1 Mark)
- iii) **Contribution** (1 Mark)

b) Zuri PLC has the following information related to production of its product called Chrystal.

Selling price per unit	FRW 10,000
Direct materials cost per unit	FRW 2,500
Direct labour cost per unit	FRW 2,100
Variable overhead cost per unit	FRW 1,400
Fixed cost per annum	FRW 28,000,000
Budgeted sales units per annum	12,000 units
Target profit per annum	FRW 16,200,000

Required:

Calculate the following:

- i) **Contribution to Sales Ratio** (2 Marks)
- ii) **Break Even Point in Units** (2 Marks)
- iii) **Break Even Revenue (FRW)** (2 Marks)
- iv) **Margin of safety in units** (2 Marks)
- v) **Margin of Safety (MOS) in %** (2 Marks)
- vi) **Sales units to achieve target profit** (2 Marks)

c) **Explain any FIVE Assumptions of marginal costing** (5 Marks)

(Total 20 Marks)

End of question paper