



**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATIONS
S2.2 MANAGING COSTS AND CASH FLOWS
DATE: THURSDAY 27, FEBRUARY 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

Inventory control levels consist of which of the following combinations?

- A Reorder level, minimum level and maximum level
- B Re-order quantity, average inventory and reorder price
- C Maximum level, Economic order quantity and minimum level
- D Average inventory and Economic order quantity.

(2 Marks)

QUESTION TWO

Which of the following best describe economic order quantity?

- A The quantity at which the inventory cost is minimized
- B The quantity at which the inventory cost is maximized
- C The minimum quantity to retain in our inventory
- D The quantity of units that can be produced at the minimum average costs

(2 Marks)

QUESTION THREE

Which of the following best explain why profits as per marginal and absorption costing are different?

- A It is because of different sales of the period
- B In Marginal costing only variable cost are charged to cost of sales whereas in Absorption costing fixed cost are also absorbed into the cost of units
- C Closing inventories are valued at marginal production cost and Closing inventories are valued at full production.
- D B and C are correct answer

(2 Marks)

The following information relates to Question FOUR, FIVE and SIX

Mbundi Ltd is a business that makes and sells Irungu makeup sticks products. For the year ended 31st December 2023. there were no opening inventories of the product, the variable production cost is FRW 8,000 per unit and the sales price FRW 11,000 per unit. Fixed costs are FRW 2 million per year, of which RWF 1,500,000 are fixed production costs.

Particulars	Production
Sales	1,200 sticks
Production	1,500 sticks

QUESTION FOUR

What is the total contribution made by Mbundi Ltd in the year ended 2023?

- A FRW 6,000,000
- B FRW 3,600,000
- C FRW 1,200,000
- D FRW 1,600,000

(2 Marks)

QUESTION FIVE

Which of the following is the profit as per marginal costing?

- A FRW 1,600,000
- B FRW 2,100,000
- C FRW 800,000
- D FRW 3,100,000

(2 Marks)

QUESTION SIX

Which of the following is the profit as per absorption costing?

- A FRW 1,900,000
- B FRW 2,400,000
- C FRW 300,000
- D FRW 4,300,000

(2 Marks)

QUESTION SEVEN

Which of the following best describes direct labour costs?

- A Salaries and wages paid directly once they become due
- B Specific costs of the workforce used to make a unit of a product or provide a service
- C Costs not directly attributable to the product
- D Idle time of direct workers

(2 Marks)

QUESTION EIGHT

Which of the following is a type of comparison in relation to managing costs and revenues?

- A Comparison with forecasts
- B Comparison with previous periods
- C Comparison with budget
- D All of the above

(2 Marks)

The following information relates to Question 9 and 10

FKS Ltd is a company based in Kigali which manufactures bricks, with the current demand of supplying bricks to the company constructing the new airport they were considering to buy a new machine on the 1st January 2024 with the capacity of producing 10 tons of bricks per day, the new machine will cost them FRW 180 million and will be used during the life span of the construction of airport which is three years. It is expected that this machine will generate inflows of FRW 70 million equally over next three years starting from 1st January 2025. The current market discounting factors are 0.917, 0.842, 0.772, and 0.708 respectively for the years of the project. they have approached you to help assessing the viability of this investment.

QUESTION NINE

Which of the following is the present value of the forecasted cashflows to be generated by the new machine?

- A FRW 177,170,000
- B FRW 180,000,000
- C FRW 110,000,000
- D None of the above

(2 Marks)

QUESTION 10

Which of the following is the value of the net present value?

- A FRW 2,830,000 Positive
- B FRW 2,830,000 Negative
- C FRW 70,000,000 Negative
- D None of the above

(2 Marks)

QUESTION 11

The standard labour cost of NGARUKIYE Ltd was estimated at FRW 80 million for the month of July 2024 the actual labour cost incurred was FRW 70 million

Which of the following is the labour cost variance during the period?

- A FRW 10,000,000 Adverse
- B FRW 10,000,000 Favorable
- C FRW 70,000,000
- D FRW 80,000,000

(2 Marks)

QUESTION 12

Which of the following statements is true about absorption costing?

- A Fixed production cost is absorbed to cost unit
- B Only variable cost form part of cost of production
- C Closing value of inventory are valued at variable production cost
- D All of the above

(2 Marks)

The following information relates to question 13, 14 and 15

MN & S Ltd is a company which distributes rice in Rwanda, they have received an offer from one of their suppliers whereby 10% is paid immediately, 50% after one month and 40% after 3 months. The following purchases were made during June, July and August 2024 FRW 60,000,000; FRW 70,000,000 and 65,000,000 respectively

(2 Marks)

QUESTION 13

Which of the following is the total cash paid for the month of July?

- A FRW 70,000,000
- B FRW 37,000,000
- C FRW 30,000,000
- D FRW 7,000,000

(2 Marks)

QUESTION 14

Calculate the Forecasted cash payment for the month of August.

- A FRW 65,500,000
- B FRW 65,000,000
- C FRW 6,500,000
- D FRW 41,500,000

(2 Marks)

QUESTION 15

What is the value of account payable of MN & S Ltd as end of August 2024?

- A FRW 86,500,000
- B FRW 65,500,000
- C FRW 58,500,000
- D FRW 65,000,000

(2 Marks)

QUESTION 16

MUGORE is an unexperienced accountant and has approached you as a CAT student for guidance to help her select the best description of a direct cost.

Which of the following is the best to describe a direct cost?

- A Cost which is directly shared by one or more cost centers
- B Cost that can be directly traced to a cost unit
- C Cost that is paid for in cash
- D Cost that is incurred by the factory

(2 Marks)

QUESTION 17

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 18

Which of the following is a reason for cash deficit in an organization?

- A The business has become loss making and is unable to cover its costs.
- B High inflation may mean that even though the business is profitable in historical cost terms, it is still failing to generate sufficient funds to replace assets.
- C If the business is growing, it may face a shortage of working capital with which to finance expansion.
- D All of the above

(2 Marks)

QUESTION 19

Which of the following statements explains over-capitalization?

- A Where a business has surplus assets that are being over-utilized because of over-investment in working capital.
- B A business where there is availability of surplus assets that are being under-utilized
- C A business where there is Capital injections and reduction of dividends
- D Where a business expands more quickly than its funds allow.

(2 Marks)

QUESTION 20

Which of the following best defines inflation?

- A It is a general decrease in the price of commodities
- B It is in decrease in the general price of commodities and increase in the purchasing value of money
- C It is a rise in the general level of prices of goods and services in the economy and a fall in the purchasing value of money
- D It is increase of the value of currency over time

(2 Marks)

QUESTION 21

Which of the following is/are the investment costs for a newly created company?

- A Advise
- B Spread
- C Dealing charges
- D All of the above

(2Marks)

QUESTION 22

What is the purpose of having a treasury policy in an organization?

- A To enable managers to establish direction, specify parameters and exercise control for better cash preservation
- B Reduce unnecessary cash spending
- C Improve liquidity management
- D All of the above.

(2 Marks)

QUESTION 23

Which of the following is considered as an element of cost of capital?

- A Risk-free rate of return
- B Premium for business risk
- C Premium for financial risk
- D All of the above

(2 Marks)

QUESTION 24

Working capital is calculated as?

- A Current asset – Current liabilities
- B Current asset + current liabilities
- C Total assets
- D Liabilities – Current asset

(2 Marks)

QUESTION 25

During the year-end 2023 budget, it was budgeted that the company will make a profit before tax of FRW 25 million. During the first quarter of the year 2024 after publication of financial reports they realized the company made a profit before tax of FRW 20 million.

What is the profit variance made by the company in relation to the above scenarios?

- A FRW 25,000,000
- B FRW 20,000,000
- C FRW 5,000,000
- D FRW (5,000,000)

(2 Marks)

QUESTION 26

Which of the following best describes avoidable cost?

- A Costs which are relevant and can be avoided if a project is not undertaken
- B Costs which are fixed and cannot be avoided
- C Costs which have already incurred
- D Costs that would be incurred whether or not the product is discontinued

(2 Marks)

QUESTION 27

Buying an asset for long term use in the business is which type of expenditure?

- A Capital expenditure
- B Revenue expenditure
- C Capital investment
- D Drawing

(2 Marks)

QUESTION 28

Which of the following are correct classification of costs?

- A Material, labour and overheads
- B Overheads and indirect labour
- C Indirect expenses and direct expenses
- D Material, labour, overheads and marginal cost

(2 Marks)

QUESTION 29

Which of the following are the main functions of a manufacturing business?

- A Production
- B Selling and distribution
- C Administration and Finance
- D All of the above

(2 Marks)

QUESTION 30

What is the payback period of an investment of FRW 200,000,000 which is generating revenue equal to 10% of its investment per year? it was previously budgeted that the company will recover its investment in 7 years.

- A 7 years
- B 10 years
- C 0.1 year
- D None of the above

(2 Marks)

QUESTION 31

Who is responsible for preparing the cash position report?

- A Treasurer officer
- B Accountant
- C Human resource officer
- D Chief accountant

(2 Marks)

QUESTION 32

Which of the following is/are a financial instrument traded in the money market?

- A Bills
- B Deposits
- C Government bonds
- D All of the above

(2 Marks)

QUESTION 33

SAFE Ltd is a company dealing in trading Maize floor during the year ended 2024.

The company had cash equivalent to FRW 30 million, prepayment equivalent to FRW 30 million and receivables equivalent to FRW 40 million. The Company had also account payables of FRW 40 million and the bank overdraft of FRW 10 million.

Which of the following is the liquidity ratio of SAFE Ltd?

- A 2:1
- B 0.5:1
- C 1:1
- D 2.5

(2 Marks)

QUESTION 34

Which of the following is a revenue expenditure?

- A Building extension
- B Repair of a building or machine
- C Motor vehicle maintenance
- D B and C are correct answers

(2 Marks)

QUESTION 35

A company manufactures and sales a single product, the selling price per unit is FRW 5,000 and the variable cost per unit is FRW 2,000, the company does not keep closing stock and no opening stock for the period was maintained, the fixed cost for the year is FRW 1 million and sold 15,000 units.

Which of the following is the total contribution for the period?

- A FRW 45,000,000
- B FRW 1,000,000
- C FRW 75,000,000
- D FRW 44,000,000

(2 Marks)

QUESTION 36

During the year ended December 2023 the following records were extracted from the Company's books of accounts; The sales price per unit of product Y was FRW 5,000 with a total sale of 10,000 units.

During the annual planning, it was planned that 15,000 units will be sold at the total cost of FRW 9 million.

Which of the following is the sales price variance recorded during the year?

- A FRW 10,000,000 Adverse
- B FRW 10,000,000 Favorable
- C FRW 5,000,000 adverse
- D None of the above

(2 Marks)

QUESTION 37

Which of the following is a factor to consider when choosing an investment?

- A Security
- B Liquidity
- C Return
- D All of the above

(2 Marks)

QUESTION 38

Which of the following is not an element of cashflow statement when using an indirect method?

- A Revenues for the period
- B Tax
- C Proceeds from issuing new shares
- D A and B are correct

(2 Marks)

QUESTION 39

Which of the following is/are the classification of cost by function?

- A Production costs
- B Selling and distribution costs
- C Administration costs
- D All of the above

(2 Marks)

QUESTION 40

Which of the following is/are a type of cashflow?

- A Regular cashflow
- B Irregular cashflow
- C Exceptional cashflow
- D All of the above

(2 Marks)

QUESTION 41

Which of the following is the principle of marginal costing?

- A Period fixed costs are the same for any volume of sales and production
- B Sale of the period are known before
- C Fixed cost is absorbed in the closing stock
- D Records assets at their respective cash amounts at the time the asset was purchased or acquired

(2 Marks)

QUESTION 42

Which of the following is/are correct about Job costing?

- A It is the costing method used where each job is separately identifiable as a cost unit.
- B It is the costing method used when it is not easy to separate each job
- C It is useful in the production processes of mixed product
- D It includes Manufacturing of pharmaceuticals, complicated product parts, biscuits, food items, and ready-to-wear clothing.

(2 Marks)

QUESTION 43

When investing surplus cash, what is/are the factor(s) to consider?

- A Risk
- B Return
- C Liquidity
- D All of the above

(2 Marks)

QUESTION 44

SIMBA Ltd is a company located in Karongi dealing in resale of cooking charcoal. During the period ended December 2023, the company made a contribution of FRW 2,000 per each kg with a fixed cost of FRW 4 million. Note that the total sales made during the period is 7,000 kgs and the closing stock for the same period was 4,000 kgs.

What was the break-even point in kilograms of SIMBA Ltd?

- A 7,000 kgs
- B 2,000 kgs
- C 4,000 kgs
- D 1,000 kgs

(2 Marks)

QUESTION 45

What is the present value of the reward to Mutesi if she was promised to be rewarded as the best performer FRW 5 million next year? Consider 0.952 as the discount factor for the year.

- A FRW 4,760,000
- B FRW 5,000,000
- C FRW 5,252,100
- D None of the above

(2 Marks)

QUESTION 46

Which of the following is a Type(s) of responsibility center (s)?

- A Cost center
- B Profit center
- C Investment center
- D All of the above

(2 Marks)

QUESTION 47

DUKUZE Ltd total cost for the year ended December 2023 was FRW 60 million. The variable cost was 20% of the total cost and the total unit produced for the year was 5,000kgs the selling price per unit was FRW 6,000.

What was the variable cost per unit?

- A FRW 12,000
- B FRW 6,000
- C FRW 2,400
- D FRW 9,600

(2 Marks)

QUESTION 48

In relation to forecasting, which of the following best defines time series?

- A Time series is simply a record of figures or values that have occurred over a period of time
- B Time series is the prediction of future events in a business
- C Time series shows the performance of an organization
- D Time series is indefinite continued progress of existence and events in the past, present, and future

(2 Marks)

QUESTION 49

MUTO Ltd is a well-established company and it gets various credit terms from one of its suppliers. Recently, MUTO Ltd was allowed to buy and pay in installments: the 50 % payable immediately and 50% after one month.

During the past January, February and March 2024 MUTO Ltd bought goods worth FRW 30 million; FRW 40 million and FRW 20 million respectively.

Which of the following is the account payable balance in his books at the start of April 2024?

- A FRW 10,000,000
- B FRW 20,000,000
- C FRW 90,000,000
- D FRW 30,000,000

(2 Marks)

QUESTION 50

The statement of profit or loss for a period ended 31 December 2023 shows the profit of FRW 55 million. During the year a depreciation of FRW 6 million and amortization of FRW 2 million were recorded as the expenses.

Which of the following is the cash available?

- A FRW 55,000,000
- B FRW 61,000,000
- C FRW 63,000,000
- D FRW 47,000,000

(2 Marks)

End of question paper

