CERTIFIED ACCOUNTING TECHNICIAN
STAGE 2 EXAMINATIONS
S2.2 MANAGING COSTS AND CASH FLOWS
DATE: THURSDAY 29, MAY 2025
MARKING GUIDE AND MODEL ANSWERS

SECTION A

MARKING GUIDE

Qn	Answer	Qn	Answer
1	D	26	D
2	D	27	C
3	D	28	D
4	B	29	B
5	B	30	B
6	D	31	B
7	C	32	A
8	D	33	C
9	B	34	B
10	B	35	C
11	D	36	B
12	D	37	B
13	D	38	B
14	C	39	E
15	C	40	D
16	D	41	C
17	D	42	C
18	D	43	D
19	D	44	B
20	C	45	A
21	A	46	A
22	A	47	B
23	D	48	A
24	D	49	A
25	B	50	C

Note: 2 Marks each correct answer

SECTION A

QUESTION ONE

Correct Answer is D

All of the above Sentence are correct answer

A The issue of bonds: By selling attractively priced bonds, the government takes money away from financial institutions and individuals who pay for these bonds

B By selling Treasury Bills: By selling Treasury Bills, the government is taking money out of the system

C By buying Treasury Bills: by buying Treasury Bills, it can put money back into the system

D **All of the Above**

QUESTION TWO

Correct Answer is D

Liquidity management is more than simply cash management. It is about control of not just cash but also inventories, trade receivables and trade payables. The shorter the cash operating cycle, the sooner cash is received which can be used elsewhere in the business

Liquidity is the amount of cash a company can obtain quickly to settle its debts (and possibly to meet other unforeseen demands for cash payments too). It is the ability of a company to pay its suppliers on time, meet its operational costs such as

Profitability: relates specifically to how the firm manages its cash in order to minimize costs and maintain a return

Security: is the principle that cash and credit transactions should not subject the company in any risk.

Point A, B and C: are wrong answer because ethics and types of the business invested in and management preferences are not principles of liquidity management

QUESTION THREE

Correct Answer is D

Non-current assets are not liquid assets. A company can sell off non-current assets, but unless they are no longer needed

Point A, B and C are example of liquidity asset that company can convert assets which can easily be converted into cash; therefore, liquidity is not just about holding cash in hand or in a bank current account, as there are also other liquid assets.

QUESTION FOUR

Correct Answer is B
Lower interest rates are likely to lead to an increase in spending. The cost of borrowing will decrease, so people can borrow more, and use their borrowings to spend more. Conversely, people will save less, because they will earn less interest on their savings.
If the BNR reduces interest rates, this is a boost to the economy as more credit and spending power are available

Point A, C and D: Was wrong because increase in saving, decrease in borrowing, and decrease in consumer spending will be caused by rise of interest, higher interest rates make investment more attractive but reduce the demand for borrowing. This, in turn, has the effect of reducing consumer demand as less credit is available and the credit that is available at a high cost, then increase in interest make increase in saving.

QUESTION FIVE

Correct Answer is B
Cash flow is a critical aspect of a company's financial health, and **it refers to the movement of money in and out of a business**. It encompasses all the inflows and outflows of cash, including revenues, expenses, investments, financing activities, and dividends.
Point A: The amount of money a company earns from its operations is incorrect -cash does not show money a company earns from its operation only
Point C: The total assets minus total liabilities are incorrect- it's irrelevant to cash flow
Point D: The profit generated by a company is incorrect because profit generated by the company come from income statement not in cash flow

QUESTION SIX

Correct Answer is D
Money raised from a new share issue is a receipt that would increase cash flow but would not affect profits
Point A and B: Would affect both cash flow and profits at the sometime
Point C: would affect the profits but not the cash flow

QUESTION SEVEN

Correct Answer is C

Unit product cost under absorption costing = Direct materials + Direct labor + Variable overhead + Fixed overhead (Fixed overhead =fixed manufacturing overhead/number of units)
= FRW 8 + FRW 12 + FRW 6 + FRW 4
= FRW 30
A. Material cost was added to Labour cost
B. Material cost, Labour cost and Variable manufacturing overhead were added together

C. Material cost, Labour cost, Variable manufacturing overhead and variable selling and administrative were added together

The following Table Are Answer relate to Question 8 up to 11

QUESTION EIGHT

Correct Answer is B (it has 70% of September 2022 + 30% of October 2022)
Point A: is wrong because it is sales in October not cash receipt
Point B: is wrong answer because it shows the cash receipt company received in October but not total cash available in terms of cash
Point C: is wrong because it is credit sales in Month of September received in October but it is not total cash receipt in October
Point D: is a wrong answer because it shows total Cash received in October + Opening Balance of September

A FRW 319,000
B **FRW 330,900**
C FRW 235,000
D FRW 431,700

QUESTION NINE

Correct Answer is B (Cash sale in December + Credit sale in November paid in December)
Point A: is wrong because it is sales in December 2022
Point C: is wrong because it is Credit sales in November received in December 2022 not cash received in December (For December we have cash sales + Credit sale in November)
Point D: is wrong Because it was Net Cash receipt in December (Cash receipt in Dec – Purchase + Closing Balance in November)
A FRW 323,000
B **FRW 312,500**
C FRW 215,600
D FRW 568,650

QUESTION 10

Correct Answer is B cash paid in December was % of Sale in October as Purchase.

A FRW 242,250 Was wrong because it was credit purchase equal to 75% of sale in December 2022 which paid after 2 month Means in February 2023
B **FRW 239,250**
C FRW 215,600 Was wrong because it was credit sale received in December
D FRW 312,500 was Wrong because it was cash receipt in December Not Cash paid

QUESTION 11

Correct Answer is D

What is Closing balance of Net Cash flow in March 2023

A FRW 239,750 is wrong because it was cash receipt in March 2023 not Net cash flow

B FRW 241,875 is wrong answer because this was cash paid in March not net cash flow

C FRW 746,750 is wrong because this is the closing balance of cash flow in Feb 2023

D **FRW 744,625**

QUESTION 12

Correct Answer is D (He will not seek bank overdraft), every month has a positive balance

Point A, B and C = for all the mentioned month Ishema Trading Company have positive net cash flow

From above scenario, on which month(s) will Ishema Trading ltd seek the bank overdraft?

A September 2022 only

B January and February 2023

C March 2023 and April

D None (he will not seek bank overdraft)

QUESTION 13

Correct answer is B

A Is not correct because it is value of opening inventory not cost of issue

C Is not correct because it is the total value of receipts not cost of issue

D Is not correct because it is the value of closing inventory not cost of issue

QUESTION 14

Correct answer is A

B Is not correct because it is a value of opening inventory not closing inventory

C Is not correct because it is a difference between receipts and issue costs not closing inventory

D Is not correct because A is correct

QUESTION 15

Correct answer is C

A Is not correct because it is value of closing inventory not value of receipts

B Is not correct because it is the value of opening inventory and receipts not cost of receipts

D Is not correct because C is correct

QUESTION 16

Correct answer is C

A Is not correct because periodic stocktaking is s is usually carried out annually and the objective is to count all items of inventory on a specific date

B Is not correct because inventory discrepancies occur when there are differences between the physical amount of an item in inventory and the amount shown in the inventory records

D Is not correct because the Economic Order Quantity refers to the quantity of inventory to be ordered to minimize the total costs

QUESTION 17

Correct Answer is D (All of the Above)

Managing cash flow during periods of low revenue can be a significant challenge for businesses. To maintain financial stability and liquidity, businesses can adopt various strategies to optimize their cash flow. Here are some effective ways to manage cash flow during periods of low revenue

A, B, C, is correct

QUESTION 18

Correct Answer is D (Segregation of Duties)

Segregation is a fundamental principle of internal control and fraud prevention that is essential in maintaining control and fraud prevention that is essential in maintaining the accuracy, completeness, and reliability of financial records and preventing fraudulent activities

Point A: Accountability is an essential aspect of responsibility and ethical behaviour. They help to ensure that individuals and organisation act in the best interest of stakeholders and promote transparency, accountability and trust.

Point B: Any cash or cheques received must be kept safe at all times and must only be accessible by authorized individuals within the organization. The cash should be kept under lock and key, either in a cash box, lockable till or safe with only authorized individuals having access to the keys.

Point C: When payments are received in the form of cash, cheques, debit or credit cards, then a list of all receipts taken during the day must be kept. This reconciliation should not be carried out by the person responsible for making the sales but by some other responsible official. Any discrepancies between the amount of cash recorded as taken during the day and the amount physically left at the end of the day, must be investigated.

The table below is for Answer 19 to 20

	Original budget	Actual	Variance	
Production (units)	40,000	44,000		
Direct Materials costs (FRW)	136,000	144,600	-8,600	Adverse
Direct labor cost	144,000	152,800	-8,800	Adverse
Production Overheads	40,680	50,320	-9,640	Adverse
Total Costs (FRW)	320,680	347,720	-27,040	Adverse

QUESTION 19

Correct Answer is D
Variance equal to budgeted cash flow – actual expenditure (this is what we call Total variance)

Point A: is wrong answer because it is variance of total cost, not variance of production Overheads
Point B: is wrong answer because it is variance of total cost, not variance of production Overheads but also done in wrong way (Actual –Budget)

Point C: is wrong answer because the formula for computation of variance was reversed (Actual- Budget)

QUESTION 20

Correct Answer is C
Variance equal to Budgeted Cash flow – Actual expenditure (this is what we call Total variance)
Point A: is wrong answer because it is variance of direct labor Cost, not variance of direct Materials cost
Point B: is wrong answer because it is variance of direct labor cost, not variance of direct materials cost (Actual –Budget)
Point D: is wrong answer because the formula for computation of variance was reversed (Actual- Budget)

QUESTION 21

Correct Answer is A
Variance equal to Budgeted Cash flow – Actual expenditure (this is what we call Total variance)
Point B: is wrong answer because it is variance of total production cost done in wrong way (Actual –Budget)
Point C: is wrong answer this the variance of production Overheads but the formula for computation of variance was reversed (Actual- Budget)
Point D: is wrong answer this the variance of production Overheads.

QUESTION 22

Correct Answer is A

	Flexible Budget	Actual	Variance
Production (units)	44,000	44,000	
Direct Materials costs (FRW)	149,600	144,600	5,000
Direct labor cost	158,400	152,800	5,600
Production Overheads	44,748	50,320	-5,572
Total Costs (FRW)	352,748	347,720	5,028

Flexible budget = $\frac{Budgeted\ Cost}{Budgeted\ Unit}$ *** Actual Unit Produced**

Based on Flexible Budget Variance for Direct Materials Cost was Favourable

Point B: is a wrong answer because direct labour cost on flexed budget was favourable and total cost variance of FRW 27,040 Adverse was based of original budget.
Point C: is Wrong due to Total cost variance of FRW 27,040 Adverse was based of Original Budgeted
Point D: none of the Above was wrong answer because A was Correct Answer

QUESTION 23

Correct Answer is D None of the Above
Point A, B, and C is all form of Asset to the banks
Point A: The banks will tend to hold very low risk bills. These include the following:

- Treasury bills: loans issued by the central bank on behalf of the government
- Commercial bills of exchange which are a promise by one firm to pay another a stated amount on a certain day

Point B and C: Loans to customers and overdrafts of customers, Loans to others Bank are asset to the bank that hold that assets.

QUESTION 24

Correct answer is D
Opening Balance = FRW 10,000
Plus: Credit Purchase = FRW 5000
Less: Outstanding paid= (FRW 3,000)
Closing Balance of Account payable = FRW 12,000
Point A: FRW 2,000 is incorrect 5,000 purchase -3,000 paid
Point B: FRW 5,000 is incorrect 10,000 payable -5,000 purchase
Point C: FRW 7,000 is incorrect 10,000 payable-3,000 paid

QUESTION 25

Correct Answer is B

Cost of Vehicles =	FRW 10,400,000
Less Cumulative Depreciation	(FRW 7,200,000)
Net Book Value of Motor vehicles =	FRW 3,200,000
Add: Profit on Disposal=	FRW 2,000,000
Cash Proceeds=	**FRW 5,200,000**

Point A: Is wrong because it was Net book value
Point C: Is wrong Answer = (10,400,000- [7,200,000+2,000,000]) =1,200,0000
Point D: None of the Above was wrong Answer because B is Correct Answer

QUESTION 26

Correct Answer is D Employee/Beneficiary
A, B and C Are Correct relationship between bank and its customers
Point A: When the customer deposits money, the bank becomes the receivable (debtor) and the customer a payable (creditor) of the bank
Point B: This element of the relationship between customer and bank concerns the bank accepting the customer's property for storage in its safe deposit. The bank will undertake to take reasonable care to safeguard the property against loss or damage and also to re-deliver it only to the customer or someone authorized by the customer
Point C: If the bank asks the customer to secure a loan with a charge over its assets, then the relationship between the two is that of mortgagor and mortgagee. If the customer does not repay the loan, then the bank has the right to sell the assets and use the proceeds to pay off the loan.

QUESTION 27

Correct answer is C
Prime Cost Comprised by: **direct labor + direct materials + direct expenses**

a) All variable costs are wrong because they include direct and indirect variable costs.
b) Direct labor and material only are wrong because direct expenses were left out.
c) Direct labor, direct materials and direct expenses
d) Direct labor, direct materials and production overhead were wrong answer because direct expenses are not included and that production overheads included in the answer is indirect cost which not part of prime cost.

QUESTION 29

Correct Answer is B
Rent expense.
Fixed costs are expenses that remain constant regardless of the level of production or sales. They do not vary with changes in output or sales volume.

Point A: Raw materials incorrect because its vary and depend on level of output
Point C: Direct labor is incorrect because it varies in nature and constant changing base on level of production
Point D: Marketing expenses is selling and distributing expense not fixed cost and will vary based on number of units sold.

QUESTION 30

Correct answer is C
A Is not correct because trade receivable days of 4 days has been gotten by dividing total credit sales by trade receivable which is not correct formula
B Is not correct because the 37 receivable days has been obtained by dividing receivables by total assets instead using credit sales.
D Is not correct because C is correct answer

QUESTION 31

Correct answer is A
B Is not correct because the trade payable of 21 days has been gotten by using total liabilities in the computation instead of using cost of sales
C Is not correct because the formula has been wrongly used by dividing cost of sales to trade payables
D Is not correct because A is correct

QUESTION 32
Correct answer is D
A Is not correct because instead of using total current assets over current liabilities it reversed the formula
B Is not correct because it is gotten using the wrong formula by current assets by total liabilities (both current and non-current)
C Is not correct because it used the wrong formula by dividing total assets by total liabilities

QUESTION 33

Correct answer is B
A Is not correct because it used the wrong formula by adding both receivable and payable days and subtract inventory days
C Is not correct because it used the wrong formula by adding all inventory, receivable and payable days
D Is not correct because B is correct

QUESTION 34

Correct Answer was B
Opening inventory 8,500
Closing inventory 6,750
Change in inventory 1,750 * overhead absorption rate FRW2,000

Profit difference in two method of Costing was 3,500,000

Since inventory reduced during the period the absorption costing profit would be lower than the marginal costing profit.
Absorption costing profit = FRW27,400,000 – FRW3,500,000 = FRW23,900,000.

Wrong Answer
Point A: was Profit in Marginal Costing
Point C: Absorption costing profit = FRW27,400,000 + FRW3,500,000= FRW 30,900,000 **Is wrong** because inventory was reduced compared of opening and closing inventory (Absorption profit have to be lower to marginal profit)
Point D: was wrong because B was correct answer

QUESTION 35

Correct Answer is C
Breakeven point (Unit)= $\frac{Fixed\ Cost}{Contribution}$

Breakeven point (Unit)= $\frac{16{,}200{,}000}{520{,}000 - 250{,}000}$ = 60 Delegate will be required to Breakeven

Wrong ANSWER

Point A: Breakeven point (Unit)= $\frac{Fixed\ Cost}{Variable\ Cost}$ =$\frac{16{,}200{,}000}{250{,}000}$ = 64.8 rounded to 65
Point B: breakeven point (Unit)= $\frac{Fixed\ Cost}{SALE\ PRICE}$ =$\frac{16{,}200{,}000}{520{,}000}$ = 31
Point D: is the margin of safety (90 – 60).

QUESTION 36

Correct Answer is B
Target Activities level to achieve target profit

Activity level =$\frac{Fixed\ Costs + Target\ Profit}{Contribution\ per\ Unit}$ = $\frac{16{,}200{,}000 + 8{,}100{,}000}{270{,}000}$ = 90

Wrong Answer
Point A: Activity level = $\frac{Fixed\ Costs + Target\ Profit}{Variable\ Cost}$ = $\frac{16{,}200{,}000 + 8{,}100{,}000}{250{,}000}$ = 97.2

Point C: Activity level = $\frac{Fixed\ Costs + Target\ Profit}{Sale\ price} = \frac{16,200,000 + 8,100,000}{520,000} = 46.7$

Point D: Activity level = $\frac{Fixed\ Costs - Target\ Profit}{Contribution\ per\ Unit} = \frac{16,200,000 - 8,100,000}{270,000} = 30$

QUESTION 37

Correct Answer is B

Profit Volume ratio= $\frac{Contribution}{sales}$ * 100%

Profit Volume ratio= $\frac{520,000 - 250,000}{520,000}$ * 100% = 0.51923

Break event Point (FRW)= $\frac{Fixed\ Cost}{Profit\ Volume} = \frac{16,200,000}{0.51923}$ = FRW 31,200,00

Point A: was Fixed Cost not revenue

Point C: Was wrong because was Expected Revenue 90 * 520,000= FRW46,800,000

Point D: None of the Above was wrong answer because B was correct answer

QUESTION 38

Correct Answer is B

Point A, C these Centre are not responsible for cost and revenue only.

Point D: is Wrong answer because B was correct Answer

QUESTION 39

Correct Answer is E

The two sentences above are correct

All Point A, B, C and D are process of charging of Overheads to Cost unit under absorption Costing

QUESTION 40

Correct Answer is D

NPV equal to PV of Cash inflow - PV of initial Investment

Remember scrap value

Year	Details	Cash flow	DF (10%)	PV
Year 0	Initial Investment	(100,000)	1	(100,000)
Year1	Cash inflow	50,000	0.909	45,450
Year2	Cash inflow	30,000	0.826	24,780
Year3	Cash inflow	30,000	0.751	22,530
Year4	Cash inflow + Scrap value	30,000	0.683	20,490
NPV				**13,250**

Point A: is wrong equal $\sum_{i=0}^{n} Cashflow\ with\ Srap\ value - Initial\ Investment$
$\sum_{i=0}^{n}(50{,}000 + 30{,}000 + 30{,}000 + 10{,}000 + 20{,}000(of\ scrap\ value) - 100{,}000 =$ 20,000

Point B= $\sum_{i=0}^{n} Cashflow\ without\ Srap\ value - Initial\ Investment$
$\sum_{i=0}^{n}(50{,}000 + 30{,}000 + 30{,}000 + 10{,}000) - 100{,}000 =$ 20,000

Point C is wrong answer due to Scrap value is not Considered as relevant cashflow

Year	Details	Cash flow	DF (10%)	PV
Year 0	Initial Investment	-100,000	1	-100,000
Year1	Cash inflow	50,000	0.909	45,450
Year2	Cash inflow	30,000	0.826	24,780
Year3	Cash inflow	30,000	0.751	22,530
Year4	Cash inflow	10,000	0.683	6,830
NPV				**(410)**

QUESTION 41

Correct Answer was C

PAY BACK PERIOD			
Year	Details	Cash flow	Cumulative
Year 0	Initial Investment	-100,000	-100,000
Year1	Cash inflow	50,000	-50,000
Year2	Cash inflow	30,000	-20,000
Year3	Cash inflow	30,000	10,000
Year4	Cash inflow + Scrap value	30,000	40,000

Payback period= 2 years+ $\frac{\textbf{Rest Cash flow for Cumulative to be equal to 0}}{\textbf{Next Cash flow}}$ *** 12 Month**

Payback period= 2 years+ $\frac{\mathbf{20{,}000}}{\mathbf{30{,}000}}$ *** 12 Month = 2 years and 8 months**

Wrong Answer			
Year	Details	Cash flow	Cumulative
Year 0	Initial Investment - Scrap Value	-80,000	-80,000
Year1	Cash inflow	50,000	-30,000
Year2	**Cash inflow**	**30,000**	**0**
Year3	Cash inflow	30,000	30,000
Year4	Cash inflow	10,000	40,000

Wrong answer

Year	Details	Cash flow	Cumulative
Year 0	Initial Investment + Scrap Value	-120,000	-120,000
Year1	Cash inflow	50,000	-70,000
Year2	Cash inflow	30,000	-40,000
Year3	Cash inflow	30,000	-10,000
Year4	**Cash inflow**	**10,000**	**0**

QUESTION 43

Correct answer is D (None of the above)

A, B and C show how a Cost can be Classified based on their behavior, Cost Behavior is the way in which costs are affected by changes in the volume of output.

QUESTION 44

Correct Answer is B

	Out put	Cost
High out put	44,610	FRW 763,632
Low output	37,830	FRW 691,455
Difference	6,780	FRW 72,177

Variable Cost per unit = 72,177 / 6,780 = FRW 10.65

Wrong Answer

Point A

If they take high cost not out put

High out put	44,610	FRW 763,662
Low output	37,950	FRW 690,000
Difference	6,660	FRW 73,662

Variable Cost= FRW 73,662 / 6,660 = FRW 11.06

Point C

	Unit	Cost
High out put	44,610	FRW 763,662
Low output	43,050	FRW 746,100
Difference	1,560	FRW 17562

Variable Cost= FRW 17,562 / 1,560 = FRW 11,26

Point D

If they select high cost and high output randomly

	Unit	Cost
High out put	44,610	FRW 763,662
Low output	37,830	FRW 690,000
Difference	6,780	FRW 73,662

Variable Cost= FRW 73,662 / 6,780 = 10.86

QUESTION 45

Correct Answer is A

Fixed cost can be determined by: (Total cost at high activity level) – (total units at high activity level × variable cost per unit)

	Out put	**Cost**
High out put	**44,610**	**FRW 763,632**
Low output	**37,830**	**FRW 691,455**
Difference	**6,780**	**FRW 72,177**

Variable Cost per unit = 72,177 / 6,780 = FRW 10.65

Fixed Cost = FRW 763,632 – (10.65 * 44,610) = FRW 288,535.5

Wrong Answer

Point B

If they take high cost not output (High Activity level)

If they take high cost not out put

High out put	44,610	FRW 763,662
Low output	37,950	FRW 690,000
Difference	6,660	FRW 73,662

Variable Cost= FRW 73,662 / 6,660 = FRW 11.06

Wrong Fixed Cost= FRW 763,662 **– (11.06 *** 44,610) **= FRW 270,275.4**

Point C

	Unit	Cost
High out put	44,610	FRW 763,662
Low output	43,050	FRW 746,100
Difference	1,560	FRW 17562

Variable Cost= FRW 17,562 / 1,560 = FRW 11,26

Wrong Fixed Cost = FRW 763,662 – (11.26 * 44,610) = **FRW 261,353.4**

Point D
If they select high cost and high output randomly

	Unit	Cost
High out put	44,610	FRW 763,662
Low output	37,830	FRW 690,000
Difference	6,780	FRW 73,662

Variable Cost= FRW 73,662 / 6,780 = 10.86
Wrong Fixed Cost= FRW 763,662 – (10.86 * 44,610) = FRW 279,197.4

QUESTION 46

Correct answer is A
Total Production Cost equal
(Expected Number of Unit to be produced * Variable Cost) + Fixed Cost
A (FRW 10.65 * 50,000) + FRW 288,535.5 = FRW 821,035
B (FRW 11.06 * 50,000) + FRW 270.275.4 = FRW 823,275
C (FRW 11,26 * 50,000) + FRW 261,353.4 = FRW 824,353
D (FRW 10.86 * 50,000) + FRW 279,197.4 = FRW 822,197

QUESTION 47

Correct Answer is B
If the supply of Direct materials is limited to 360kg, that means materials is limiting factors for production
Number of Unit that can be produced = 360 Kg/ 3 kg per unit = 120 units

Wrong Answer
Point A: was al requested unit by clients in the question which is wrong answer
Point C: 450 units equal to 150 unit * 3 kg, which is wrong answer
Point D: is wrong because B was correct answer

QUESTION 48

Correct Answer is A
Because number of unit that can be produced and sold = 360 Kg/ 3 kg per unit = 120 units
Point A

Sales (120 * 35,000)	4,200,000
Variable Cost	
Direct material (120*3kg*FRW 3000)	1,080,000
Direct labor (120*20hour* FRW 750)	1,800,000
	(2,880,000)
Contribution	**1,320,000**
Fixed Cost	(800,000)
Profit	**520,000**

Point B: Was wrong answer because number of units is based on request from clients
But Company is not capable to produce those items

Sales (150 * 35,000)	5,250,000
Variable Cost	
Direct material (150*3kg*FRW 3000)	1,350,000
Direct labor (150*20hour* FRW 750)	2,250,000
	(3,600,000)
Contribution	**1,650,000**
Fixed Cost	(800,000)
Profit	**850,000**

Point C
Sales revenue was wrong, it is based on the request of Clients

Sales (150 * 35,000)	5,250,000
Variable Cost	
Direct material (120*3kg*FRW 3000)	1,080,000
Direct labor (120*20hour* FRW 750)	1,800,000
	(2,880,000)
Contribution	**2,370,000**
Fixed Cost	(800,000)
Profit	**1,570,000**

Point D: was wrong because Cost of production is computed based on Unit requested by clients

Sales (120 * 35,000)	4,200,000
Variable Cost	
Direct material (150*3kg*FRW 3000)	1,350,000
Direct labor (150*20hour* FRW 750)	2,250,000
	(3,600,000)
Contribution	**600,000**
Fixed Cost	(800,000)
Profit	**(200,000)**

QUESTION 49
Correct Answer is A
Actual overheads = 1,600,000
Less: Absorbed overheads (Actual unit produced * Overhead absorption rate)
= (650 Units* FRW 3,000) = (1,950,000)

Over-Absorbed = 350,000

Wrong Answer

Point B is wrong Answer because you take Absorbed overheads – Actual overheads

Point C: is wrong Answer because absorbed overheads cost is computed based on expected level of production instead of actual production which is wrong

Actual overheads = 1,600,000

Less: Absorbed overheads (Expected production level * Overhead absorption rate)

= (500 Units* FRW 3,000) = (1,500,000)

Over-Absorbed = 100,000

Point D

If you reverse the formula for point C you can get under-absorbed but, computation was based on Expected production level instead of Actual production.

QUESTION 50

Correct Answer is C

$$\text{Variance \%} = \frac{(Bugdeted\ Cash\ flow - Actual\ Cash\ flow)}{Budgeted\ Cash\ flow} = \frac{(3{,}200{,}000 - 3{,}350{,}000)}{3{,}200{,}000} = 4.69\%$$

The Actual Cost are greater than the Budgeted Costs so the Variance is Adverse

Wrong Answer

$$\text{Variance \%} = \frac{(Bugdeted\ Cash\ flow - Actual\ Cash\ flow)}{Actual\ Cashflow} = \frac{(3{,}200{,}000 - 3{,}350{,}000)}{3{,}350{,}000} = 4.48\%$$

Point A and B both divide the difference between Actual and budgeted Costs by Actual costs (FRW 3,350,000) rather than budgeted Costs (FRW 3,200,000).

Point D: The Percentage of Variance Are Correctly Calculated but shows it as a favorable rather than adverse variance

End of Model answer and Making Guide