



ICPAR
Unlimited possibilities

CERTIFIED ACCOUNTING TECHNICIAN STAGE 2 EXAMINATIONS

S2.2: MANAGING COST AND CASHFLOWS

DATE: THURSDAY 29, MAY 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

Through the buying and selling process, the government affects the supply and demand levels for investments generally, and thereby influences interest rates.

Which one the following help the government to regulate the supply and demand levels of money in Economies?

- A The issue of bonds.
- B By selling Treasury Bills
- C By buying Treasury Bills,
- D All of the Above

(2 Marks)

QUESTION TWO

What are the three main principles of the management of liquidity?

- A Security/ethics/type of business invested in
- B Liquidity/management preferences/profitability
- C Ethics/liquidity/profitability
- D Security/liquidity/profitability

(2 Marks)

QUESTION THREE

Adequate liquidity is often a key factor in contributing to the success or failure of a business.

Which one of the following are not a liquidity asset?

- A Short-term investments which can easily be sold
- B Trade receivables
- C Fixed-term deposits with a bank
- D Acquisition of land

(2 Marks)

QUESTION FOUR

Which of the following is most likely to result from a cut in interest rates?

- A An increase in savings
- B An increase in spending
- C A decrease in borrowing
- D A decrease in consumer spending

(2 Marks)

QUESTION FIVE

Cash and profit are not the same thing. It is important to realize how vital cash is to a business. Even if the business is profitable, **cash flow refers to:**

- A The amount of money a company earns from its operations
- B The movement of money in and out of a business
- C The total assets minus total liabilities
- D The profit generated by a company

(2 Marks)

QUESTION SIX

Which of the following items would affect a company's cash flow but not its profits?

- A Payment of salaries to directors
- B Payment of interest on a loan
- C Depreciation of a motor vehicle
- D Money raised from a new share issue

(2 Marks)

QUESTION SEVEN

Consider the following information:

- Number of units produced: 2,000 units
- Direct materials cost: FRW 8 per unit
- Direct labor cost: FRW 12 per unit
- Variable manufacturing overhead: FRW 6 per unit
- Fixed manufacturing overhead: FRW 8,000 per unit
- Variable selling and administrative cost: FRW 2 per unit
- Fixed selling and administrative cost: FRW 6,000

Based on the above information, what is the unit product cost under the absorption costing system?

- A FRW 20
- B FRW 26
- C FRW 28
- D FRW 30

(2 Marks)

The following questions relate to Question 8 up to 12

Ishema Trading Ltd has just set up a jewelry, gifts and cards business. Recently, she had a serious issues of cash management and she has approached you as an expert to help her with cash forecasting that will ensure there are enough funds to sustain the activities of the organization.

Table 1: Sales estimates for a company

Month	Amount (FRW)
Sept-22	336,000
Oct-22	319,000
Nov-22	308,000
Dec-22	323,000
Jan-23	322,500
Feb-23	342,500

Of these sales figures, 70% are credit sales and the rest are cash sales. The company's cost accountant has reported that in the past, Credit sales Customers usually paid one months following the month of the sale. It has been estimated that 75% of total sales are purchase cost and are paid two months of purchase.

QUESTION EIGHT

What is the forecast Net cash receipts for October 2022 in FRW?

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

(2 Marks)

QUESTION NINE

What are the forecast cash receipts for December 2022 in FRW?

- A FRW 323,000
- B FRW 312,500
- C FRW 215,000
- D FRW 568,650

(2 Marks)

QUESTION 10

What is the forecasted Amount to be paid in the month of December 2022 in FRW?

- A FRW 242,250
- B FRW 239,250
- C FRW 215,600
- D FRW 312,500

(2 Marks)

QUESTION 11

What is the closing balance of Net Cash Flow in March 2023

- A FRW 239,750
- B FRW 241,875
- C FRW 746,750
- D FRW 744,625

(2 Marks)

QUESTION 12

From the 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 of the Above (he will not seek bank overdraft)

(2 Marks)

The information below will be used to answer question 13 to 15

A manufacturing company supplies and sells chemicals used in agriculture. The following transactions were recorded in January 2023.

Date	Transaction type	Quantity (Kgs)	Unit purchase price (FRW)
01-Jan-23	Opening balance	100	20
03-Jan-23	Receipt	200	24
06-Jan-23	Issue to sell	220	
09-Jan-23	Receipt	200	26
12-Jan-23	Issue to sell	160	
18-Jan-23	Receipt	200	28
30-Jan-23	Issue to sell	120	

QUESTION 13

From the above information, what would be the cost of issue in the month of January 2023 using the Last In First Out (LIFO) inventory valuation method?

- A FRW 2,000
- B FRW 12,720
- C FRW 15,600
- D FRW 4,880

(2 Marks)

QUESTION 14

From the above information, what would be the closing inventory cost as at 30 January 2023 using the Last In First Out (LIFO) inventory valuation method?

- A 4,880
- B 2,000
- C 2,880
- D None of the above

(2 Marks)

QUESTION 15

What would be the cost of receipts during the month of January 2023 using the Last in First Out (LIFO) inventory valuation method?

- A FRW 4,880
- B FRW 17,600
- C FRW 15,600
- D None of the above

(2 Marks)

QUESTION 16

It is the process which involves counting and checking a number of inventory items on a regular basis so that each item is checked at least once a year, and valuable items can be checked more frequently

Which of the following terms is defined by the above statement?

- A Periodic stocktaking
- B Inventory discrepancies
- C Continuous stocktaking
- D Economic Order Quantity (EOQ)

(2 Marks)

QUESTION 17

Hashtag Ltd, is a company located in Rubavu near Kivu beach. Hashtag is seasonal business where they get more clients in summer time. During the month of October, the business faced a shutdown in revenue.

How can this hashtag manage cash flow during periods of low revenue?

- Delaying payments to suppliers and creditors
- A Negotiating extended credit terms with suppliers
- B Reducing discretionary expenses and non-essential costs
- C All of the above

(2 Marks)

QUESTION 18

The finance director of Gisimenti Limited is facing a challenge. In a recent audit, cash balance was not equal to the cash available in the books of accounts because one staff in charge of cash receipt and banking of money misappropriated the funds. The audit recommended that the company should adopt a policy where one member of staff deals with cash receipts do recording while another member reconciles cash receipts to sales and banking records to avoid those inconsistencies in cash management.

This is an example of?

- A Accountabilities
- B Physical cash security
- C Reconciliation
- D Segregation of duties

(2 Marks)

The following relates to question 19 to 22

KAN Manufacturing Ltd has been involved in the production of mattresses, recently they received the following Budget monitoring report:

Details	Original budget	Actual
Production (units)	40,000	44,000
Direct Materials costs (FRW)	136,000	144,600
Direct labor cost	144,000	152,800
Production Overheads	40,680	50,320
Total Costs (FRW)	320,680	347,720

QUESTION 19

Based on Total variance, what is the production overheads variance for the period?

- A FRW 27,040 Adverse
- B FRW 27,040 Favorable
- C FRW 9,640 Favorable
- D FRW 9,640 Adverse

(2 Marks)

QUESTION 20

Based on total variance, what is the materials variance for the period?

- A FRW 8,800 Adverse
- B FRW 8,800 Favorable
- C FRW 8,600 Adverse
- D FRW 8,600 Favorable

(2 Marks)

QUESTION 21

Based on total variance, what is the total production variance for the period?

- A FRW 27,040 Adverse
- B FRW 27,040 Favorable
- C FRW 9,640 Favorable
- D FRW 9,640 Adverse

(2 Marks)

QUESTION 22

If the budget monitoring report was revised to be based on flexed budget to reflect efficient of usage, **which of the following statements would be true?**

- i) There is a FRW 5,000 favorable variance on direct materials cost
- ii) There is a FRW 5,600 adverse variance on direct labor cost
- iii) Total cost has a FRW 27,040 adverse variance

- A (i) only
- B (ii) and (iii)
- C (iii) only
- D None of the Above

(2 Marks)

QUESTION 23

Assets of the banks come in different varieties, among the following examples, **which one is not an asset to the retail bank?**

- A Bills
- B Loans to customers and overdrafts to customers
- C Loans to the money markets or to others banks
- D None of the above

(2 Marks)

QUESTION 24

The accounts payable balance at the beginning of the month was FRW 10,000. During the month, the company made purchases worth FRW 5,000 on credit and paid off FRW 3,000 of its outstanding balance.

What is the ending accounts payable balance?

- A FRW 2,000
- B FRW 5,000
- C FRW 7,000
- D FRW 12,000

(2 Marks)

QUESTION 25

An organization sold a vehicle which they had originally purchased for FRW 10,400,000. The vehicle had a total accumulated depreciation of FRW 7,200,000 at the time of disposal. If the organization achieved a FRW 2,000,000 profit on disposal,

How much were the cash proceeds received for selling the vehicle?

- A FRW 3,200,000
- B FRW 5,200,000
- C FRW 1,200,000
- D None of the above

(2 Marks)

QUESTION 26

When money is paid into a bank account by an individuals or businesses. These individuals or businesses becomes customers of the bank. Among in the legal relationship between the bank and its customer,

Which one is not a main contractual relationship between the bank and its customer?

- A The receivable/payable (debtor/creditor) relationship
- B The bailor/Bailee relationship
- C The mortgagor/mortgagee relationship
- D Employee /Beneficiary relationship

(2 Marks)

QUESTION 27

Prime cost comprises of?

- A All variable Costs
- B Direct labor and material only
- C Direct labor, direct materials and direct expenses
- D Direct labor, direct materials and Production overhead

(2 Marks)

QUESTION 29

Which of the following is an example of a fixed cost?

- A Raw materials
- B Rent expense
- C Direct labor
- D Marketing expenses

(2 Marks)

The following information relates to the questions 30-33

The following financial statements were extracted from KAMIRINDI Ltd books of accounts for the period ended 31st December 2023.

Kamirindi Ltd Statement of Profit or loss for the year ended 31st December 2023

Accounts Descriptions	FRW'000
Credit sales	5,000,000
Cost of sales	2,000,000
Gross Profit	3,000,000
Operating expenses	1,800,000
Operating profit	1,200,000

Kamirindi Ltd Statement of financial position as at 31st December 2023

Accounts description	FRW'000
Non-current assets	12,000,000
Current assets	
Inventory	400,000
Trade receivable	1,200,000
Cash at bank	670,000
Total current assets	2,270,000
Total assets	14,270,000
Share capital	9,500,000
Reserves	530,000
Total equity	10,030,000
Non-current liabilities	4,000,000
Trade payables	240,000
Total equity and liabilities	14,270,000

Note: Assume that the year has 365 days and round off your answers to full numbers

QUESTION 30

Using the information above, **what will be the trade receivable days?**

- A 4 days
- B 37 days
- C 88 days
- D None of the above

(2 Marks)

QUESTION 31

Using the information above, **what will be the trade payable days?**

- A 44 days
- B 21 days
- C 8 days
- D None of the above

(2 Marks)

QUESTION 32

Using the information above, **what will be the current ratio?**

- A 1:9
- B 0.5:1
- C 3:1
- D 9:1

(2 Marks)

QUESTION 33

Using the information above, what will be the cash operating cycle?

- A 59 days
- B 117 days
- C 205 days
- D None of the above

(2 Marks)

QUESTION 34

When opening inventory is 8,500 liters and closing Inventory 6,750 liters, a firm's marginal costing a profit is FRW 27,400,000. Assuming that the fixed production overhead absorption rate is FRW 2,000 per liter,

What profit would be reported using absorption costing?

- A FRW 27,400
- B FRW 23,900
- C FRW 30,900
- D None of the Above

(2 Marks)

The following relates to Question 35 to 37

ICPAR offers training to its members and non-member in form of CPD (Continuing Profession development) and they have estimated that the variable cost of FRW 250,000 for accommodation and taking care of delegates and fixed Costs of FRW 16,200,000 for letting conference room in KIVU Beach Hotel. A price of FRW 520,000 is agreed as an investment of each delegate to attend the course. ICPAR expects to have 90 attendees.

QUESTION 35

What is the minimum number of people who must attend the CPD in order to at least breakeven?

- A 65
- B 60
- C 31
- D 30

(2 Marks)

QUESTION 36

What is the minimum number of people who must attend the CPD in order to attain a target revenue of FRW 8,100,000?

- A 97.2 Say 97 of People
- B 90 People
- C 46.7 Say 47 People
- D 30 People

(2 Marks)

QUESTION 37

What is the minimum expected revenue ICPAR must get in order to at least breakeven?

- A FRW 16,200,000
- B FRW 31,200,000
- C FRW 46,800,000
- D None of the Above

(2 Marks)

QUESTION 38

Melinda is responsible for the expenditure and income within the marketing department.

What type of Centre is Melinda responsible for?

- A Cost Centre
- B Profit Centre
- C Investment Centre
- D None of the above

(2 Marks)

QUESTION 39

The overheads of both the production and the service cost centers are part of the necessary costs of producing the cost units and therefore in some costing systems they are included in the overall cost of the cost unit

Which one of the following sentences is a way in which overheads end up in cost units?

- A Allocation of overheads that relate to just one cost centre and Apportionment of overheads that relate to a number of cost centers on some fair basis
- B Re-apportionment of service cost centre costs to the production cost centers
- C Absorption of the overheads of each production cost centre into the cost units on a fair basis such as the number of labor hours or machine hours that each cost unit uses.
- D All of the above

(2 Marks)

The following is related to question 40 and 41

K is considering an acquisition of a machine for FRW 100,000 in a project which is expected to last for 4 years. Scrap value of FRW 20,000 is estimated to be available at the end of the project. The following cash flows are estimated,

Year1 FRW 50,000

Year2 FRW 30,000

Year3 FRW 30,000

Year4 FRW 10,000

The company has a strict 3-year payback period limit for all investments.

KANAMUGIRE expected cost of capital of 10% for evaluating their investment.

The following are discounting factors from Year 1 up to Year 4: 0.909, 0.826, 0.751, 0.683

QUESTION 40

Calculate the NPV and recommend whether the project should be accepted?

A FRW 40,000

B FRW 60,000

C FRW (410)

D FRW 13,250

(2 Marks)

QUESTION 41

Based on payback period analysis, determine period on which this project can be recouped?

A 4 Years

B 2 Years

C 2 years and 8 months

D None of the Above

(2 Marks)

QUESTION 43

Which of the following statements is not true according to how cost is affected by changes in the volume of output?

A If activity changes and the total cost changes in exactly the same way, the cost is classified as a variable cost.

B If activity changes and the total cost stays the same way, the cost is classified as fixed cost

C If activity changes and the total cost changes but not in exactly the same way, the cost is classified as a semi-variable cost.

D None of the above

(2 Marks)

The following information relates to Question 44 to 46

Total production cost and output over three periods have been extracted as follow

Period	Production Cost	Output (Unit)
1	FRW 691,455	37,830
2	FRW 763,662	44,610
3	FRW 746,100	43,050
4	FRW 690,000	37,950

QUESTION 44

Estimate variable cost per unit using high low method?

- A FRW 11.06
- B FRW 10.65
- C FRW 11.26
- D FRW 10.86

(2 Marks)

QUESTION 45

What is the estimated fixed cost of production using the High-Low method?

- A FRW 288,535
- B FRW 270,275
- C FRW 261,353
- D FRW 279,197

(2 Marks)

QUESTION 46

Estimate the total cost of production in period five, when company expects to produce 50,000 units?

- A FRW 821,035
- B FRW 823,275
- C FRW 824,353
- D FRW 822,197

(2 Marks)

The following related to Question 47 to 48

Kigali City Fashion design is a company located in City Plaza involving in supply of made in Rwanda products. Recently they received an order from one of their biggest clients requesting for supply 150, unit of made in Rwanda products.

Kigali Fashions design sells a single product for FRW 35,000. The variable costs of the product are direct materials of 3 kg per unit at FRW3,000 per kg and direct labor of 20 hours per unit at FRW750 per hour The fixed costs of the business are FRW800,000

QUESTION 47

If the supply of direct materials is limited to 360 kg, **how many units can the business produce?**

- A 150 Unit
- B 120 Unit
- C 450 Unit
- D None of the above

(2 Marks)

QUESTION 48

Based on above scenario on Question 47, **how much profit will be made?**

- A FRW 520,000
- B FRW 850,000
- C FRW 1,570,000
- D FRW (200,000)

(2 Marks)

QUESTION 49

For an overhead absorption rate of FRW3,000 per unit, based on expected production levels of 500 units. Actual overheads turn out to be FRW1,600,000, and actual production is 650 units.

What is the over or under-absorption of overheads?

- A FRW350,000 over-absorbed
- B FRW350,000 under-absorbed
- C FRW100,000 over-absorbed
- D FRW100,000 under-absorbed

(2 Marks)

QUESTION 50

A company has budgeted FRW 3,200,000 for annual rent. Actual rent was FRW 3,350,000.

What is the variance for rent?

- A 4.48% adverse
- B 4.48% favorable
- C 4.69% adverse
- D 4.69% favorable
- E None of the above

(2 Marks)

End of question paper

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