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CERTIFIED PUBLIC ACCOUNTANT FOUNDATION LEVEL 2 EXAMINATIONS

F2.1: MANAGEMENT ACCOUNTING

DATE: WEDNESDEY 26, NOVEMBER 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) Rebero Enterprises Limited (REL) is a company that operates in the food and beverages industry. The following information is provided for REL for the five months ended 31st December 2023:

Months	Purchases FRW	Rent FRW	Sales FRW	Salaries FRW
July	16,000,000	3,000,000	20,000,000	3,200,000
August	17,200,000	3,000,000	20,700,000	3,200,000
September	17,500,000	3,000,000	21,500,000	3,200,000
October	18,700,000	3,500,000	22,300,000	3,200,000
November	20,000,000	3,500,000	23,000,000	3,400,000
December	19,600,000	3,500,000	22,800,000	3,400,000

Additional information:

- 1) The opening cash balance for the month of August, 2023 was FRW 5,200,000 which was kept at the bank.
- 2) The company's policy is to offer a credit period of one month for 75% of the goods sold in every month.
- 3) For every month 60% of the purchases from suppliers are on credit for one month.
- 4) Rent expense is paid in full in the month it is incurred.
- 5) The company always pay salaries one month in arrears.
- 6) The company underwent restructuring and disposed all its three motor vehicles in the months of August, October and November for FRW 6,600,000, FRW 4,800,000 and FRW 7,200,000 Respectively.
- 7) In order to diversify its investments, REL bought 100,000 shares in Equity Bank in 2021. Equity bank paid dividend for the year 2023 in September, 2023. Dividends of FRW 65 was paid per share held.
- 8) REL pays sales commission of 5% on sales to its agents on the month of sale.

Required:

Prepare a cash budget for REL for the five months ended 31st December 2023. (15 Marks)

b) Budgets are normally defined as quantitative plan of action prepared in advance to the period in which it relates. It is important for every organization to prepare budgets

Required:

Explain any 5 reasons that makes Rebero Enterprise Limited to prepare a budget (5 Marks)
(Total 20 Marks)

QUESTION TWO

a) Explain the following terms as used in standard costing

i) Attainable Standards

(2 Marks)

ii) Ideal Standards.

(2 Marks)

b) The following information relates to Keza Enterprises Limited (KEL) which is a fruit juice producer. The company produces mixed juice which uses two raw materials; Mango fruit and Orange fruit. The standard materials cost of the mixed juice is as follows:

Details		FRW
Mango Fruit	2 Kgs @ FRW 300 Per Kg	600
Orange Fruit	4 Kgs @ FRW 250 Per kg	1,000
TOTAL		1,600

During the month of January, 2024, a total of 6,500 kgs of mango fruit costing FRW 1,820,000 and 7,000 kgs of Orange fruit costing FRW 1,925,000 were used to produce 1,000 litres of the mixed juice.

Required:

Calculate the following Variances

i) Total Material Mix Variance

(4 Marks)

ii) Total Material Yield Variance

(4 Marks)

c) The following information relates to Jari Ltd a company which makes chocolates with two major flavours, Vanilla and Strawberry. The budgeted sales and profits of Jari Ltd is as presented in the table below:

	Vanilla	Strawberry
Total Sales revenue (FRW)	2,100,000	3,200,000
Sales / Production units	600	400
Total Variable costs (FRW)	1,200,000	1,800,000

Actual sales were 520 units of Vanilla and 440 units of Strawberry.

Jari Ltd management is able to control relative sales of each product through advertising.

Required:

Calculate the following variances

i) Total Sales Mix Contribution Variance

(4 Marks)

ii) Total Sales Quantity Contribution Variance

(4 Marks)

(Total 20 Marks)

QUESTION THREE

Kabuga Ltd has the following information which relate to process 2 for the month of December, 2023. Opening work in progress was 2,200 units completed as follows:

	Degree of Completion	FRW
Materials	60%	700,000
Labour	75%	600,000
Overheads	80%	500,000
TOTAL		1,800,000

Transfer from process 1 amounted to 25,000 units valued at FRW 2,600,000. Additional costs incurred in process 2 include:

	FRW
Direct Labour	2,650,000
Production Overhead	3,500,000

Units scrapped amounted to 2,600 with the following degrees of completion:

Materials	100%
Labour	60%
Overheads	75%

The closing work in progress was 4,500 units with the following degrees of completion:

Materials	75%
Labour	60%
Overheads	40%

Units transferred to process 3 were 20,100 units, there was a normal loss of 10% during the production process, units scrapped were valued at a price of FRW 120 per unit

Required:

Using the First In First Out (FIFO) method of accounting for process accounts:

- Prepare the total equivalent units' statement (4 Marks)
- Prepare a cost per unit statement (4 Marks)
- Calculate the value of output (4 Marks)
- Calculate the value of closing work in progress (2 Marks)
- Calculate the value of abnormal loss or gain (2 Marks)
- Prepare the process 2 account (4 Marks)

(Total 20 Marks)

QUESTION FOUR

Amahoro Ltd makes three products, Alpha, Beta and Omega. The total production overhead costs incurred were FRW2,400,000. Details of the three products for the month of December, 2023 were as follows:

	Alpha	Beta	Omega
Material cost per unit (FRW)	900	750	1,200
Labour hour per unit	2.2	2.0	1.5
Machine hour per unit	2.5	1.0	0.5
Output (Units)	1,500	2,200	800

Additional information:

- 1) Direct labour costs FRW1,200 per hour.
- 2) Further analysis shows that production overheads could be apportioned as follows.

Cost related to set ups	20%
Costs related to material movements	15%
Costs related to inspections	35%
Costs related to rent	30%

- 3) The following activities are associated with the product line

	Alpha	Beta	Omega	Total
Area (Square metres)	550	250	400	1,200
No of set ups per month	30	45	25	100
No of inspections	12	8	10	30
No of movement of materials	40	60	20	120

Required:

- a) Calculate the cost per unit using traditional method of accounting using labour hours as the basis of absorption of overheads (4Marks)
 - b) Calculate the cost per unit using Activity Based Costing (ABC) method of absorption of overheads (10 Marks)
 - c) Explain the steps followed in accounting for overheads using Activity Based Costing technique (6 Marks)
- (Total 20 Marks)**

QUESTION FIVE

a) Rebero Manufacturers Ltd (RML) specializes in production of corporate office chairs. In the year 2023, RML had a good business and towards the end the year, the Chief Executive Officer (CEO) tasked you to estimate the performance of the business as the Management Accountant. Accounts and operations office of the company has provided you with the following information which relates to RML Ltd for the year ended 31st December, 2023.

- 1) Each type of chair requires 10 hours of skilled labour and 12 hours of semi-skilled labour. Skilled labour is paid at FRW 10,000 per hour and semi-skilled at FRW 6,000 per hour.
- 2) Each chair takes 25 kgs of timber and 30 kgs of metal. Timber costs FRW 3,200 per kg and metal costs FRW 4,500 per kg.
- 3) In a month it is projected that 14 chairs will be produced and sold. It is assumed that equal number of chairs are produced and sold every month.
- 4) Fixed costs per year are estimated to be FRW 42,000,000
- 5) The selling price per chair is budgeted to be FRW 850,000.

Required:

Calculate the following:

- i) Contribution to sales ratio for RML for the year ended 31st December, 2023 (2 Marks)
 - ii) Break-even point in units and revenue (4 Marks)
 - iii) Margin of safety in units and percentage (4 Marks)
 - iv) Sales units to achieve target profit of FRW 100,000,000 (4 Marks)
- b) Explain three limitations of cost volume profit analysis (6 Marks)**

(Total: 20 Marks)

QUESTION SIX

Kabeza Manufacturers Limited (KML) manufactures and sells a single product called Niro. The budgeted production cost per unit is as follows:

		FRW
Direct materials	6 kgs at 1,200 per kg	7,200
Direct labour	4 hours at 2,000 per hour	8,000
Variable production overheads		1,600
Fixed production overheads		2,000
Total		18,800

Additional information:

- 1) Selling price per unit FRW 30,000
- 2) Normal output volume per year is 16,000 which is used to establish the fixed production overheads
- 3) The selling, distribution and administration costs are 25% of sales value, Fixed FRW 9,600,000 per annum.
- 4) There was no opening inventory at the beginning of period 1 (January, 2023).
- 5) The budgeted data for period 1 (January – June, 2023) and period 2 (July – December, 2023) is provided below:

Details	Period 1 January - June 2023	Period 2 July – December 2023
Production units	8,000	8,000
Sales units	7,000	8,500

Required:

- a) Prepare KML's profit statement for the two periods using marginal costing approach (8 Marks)
 - b) Prepare KML's profit statement for the two periods using absorption costing approach (8 Marks)
 - c) Reconcile the marginal costing profit to the absorption costing profit for the two periods (4 Marks)
- (Total 20 Marks)**

QUESTION SEVEN

Nyungwe Ltd is a manufacturing company that makes air fresheners that are sold within Kigali, East and Southern provinces of Rwanda.

The following information relates to Nyungwe for a period of 10 months ended 31st December, 2023:

Month	Factory Overhead Costs	Production
	FRW	Units
1	50,000	400
2	55,000	500
3	60,000	675
4	62,000	600
5	64,000	680
6	62,800	620
7	70,000	840
8	63,500	640
9	52,500	450
10	51,000	420

Required:

- a) Using high low method of cost estimation
 - i) Estimate the variable cost per unit to be incurred by Nyungwe Ltd (2 Marks)
 - ii) Estimate the fixed cost to be incurred. (2 Marks)
 - iii) Calculate the total cost of producing 750 units of air fresheners (2 Marks)
- b) Using regression analysis method of cost estimation
 - i) Estimate the variable cost per unit to be incurred by Ngungwe Ltd (5 Marks)
 - ii) Estimate the fixed cost to be incurred for each month (3 Marks)
 - iii) Calculate the total cost of producing 800 units of air fresheners (2 Marks)
- c) Explain two advantages of using regression analysis as a cost estimation technique (4 Marks)

(Total 20 Marks)

End of question paper

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