



## **CERTIFIED ACCOUNTING TECHNICIAN**

### **STAGE 3 EXAMINATIONS**

#### **S3.2: MANAGEMENT ACCOUNTING**

**DATE: THURSDAY 27, NOVEMBER 2025**

#### **INSTRUCTIONS:**

- 1. Time allowed: 3 hours.**
- 2. This examination has three sections: A, B and C.**
- 3. Section A has 10 multiple choice questions equal to 2 marks each.**
- 4. Section B has 2 questions equal to 10 marks each.**
- 5. Section C has 3 questions equal to 20 marks each.**
- 6. All questions are compulsory.**
- 7. The question paper should not be taken out of the examination room.**

## **SECTION A**

### **QUESTION ONE**

**Which Two of the following are characteristics of management accounts?**

- i) Based in standards with prescribed formats
- ii) Both historical and future looking
- iii) There is no legal requirement to prepare management accounts
- iv) Prepared for external users

**A (i) and (ii)**

**B (i) and (iii)**

**C (ii) and (iii)**

**D (iii) and (iv)**

**(2 Marks)**

### **QUESTION TWO**

**Which of the following is the correct definition of discrete data**

- A Data collected especially for a specific purpose
- B Data which can only take on a finite or countable number of values within a given range
- C Data which have already been collected elsewhere, for some other purpose but which can be used or adapted for the survey being conducted
- D Data which can take on any value

**(2 Marks)**

### **QUESTION THREE**

A car manufacturer wants to calculate a target cost for a new car, the price of which will be set at RWF27,500,000. The company requires profit mark up of 25%.

**What will be the target cost of production?**

**A FRW 22,000,000**

**B FRW 34,375,000**

**C FRW 33,000,000**

**D FRW 20,625,000**

**(2 Marks)**

The following information relates to question **FOUR** and Question **FIVE**.

Product	A	B
Sales units	8,000	6,000
Opening inventory units	2,500	1,800
Closing inventory units	3,000	1,500
Quantity per unit (kgs)	15	18

### **QUESTION FOUR**

**Which of the following amounts relates to production budget of product B**

**A** 7,500 units  
**B** 8,500 units  
**C** 6,300 units  
**D** 5,700 units

**(2 Marks)**

## QUESTION FIVE

**What is the quantity of materials used for product A**

**A** 127,500 kgs  
**B** 102,600 kgs  
**C** 112,500 kgs  
**D** 113,400 kgs

**(2 Marks)**

## QUESTION SIX

**A non-probability sampling method is a sampling method in which the chance of each member of the population appearing in the sample is not known.**

**Which of the following is a non-probability sampling method?**

**A** Multistage Sampling  
**B** Cluster Sampling  
**C** Quota Sampling  
**D** Stratified Sampling

**(2 Marks)**

## QUESTION SEVEN

**Sars Ltd using least square method to forecast on the total cost of production. The following results relates to two variables x (output) and y (total cost)**

$\sum x^2$	2040
$\sum y^2$	32,278
$\sum x$	100
$\sum y$	400
$\sum xy$	8,104
$n$	5
$b$	2.6

**What is the total cost of producing 20 units of its products**

**A** 80  
**B** 128  
**C** 562.6  
**D** 92.8

**(2 Marks)**

## QUESTION EIGHT

**Which of the following cost drivers is the most suitable basis of apportionment of internal control costs**

- A Area measured in meters square
- B Number of machine hours
- C Number of movements of materials
- D Number of inspections

**(2 Marks)**

## QUESTION NINE

**Which one of the following explains value engineering?**

- A Planned, scientific approach to cost reduction, which reviews the material composition of a product and the product's design
- B Planned, scientific approach to cost reduction and applies to a new product which reviews the material composition of a product and the product's design
- C Quality management system in an organization that involves all activities of the organization not just the production activities
- D The concept of taking the fixed target selling price and deducting the required profit margin

**(2 Marks)**

## QUESTION 10

**Which one of the following best explains the concept of effectiveness in ascertaining value for money concept in performance measurement?**

- A Minimization of input costs for a given output result
- B Maximization of output results
- C Minimization of input costs
- D Maximization of output for a given input cost

**(2 Marks)**

## **SECTION B**

### **QUESTION 11**

Agaba Ltd located in Musanze district produces and sells plastic products. In order to gain competitive advantage, the firm has hired a consultant for advice on its expenditures with the main focus of reducing its overhead costs that constitute a high proportion of total costs. The firm has five departments, three of which are production departments (A, B and C) and two service departments (X and Y). The consultant has advised that all the service department overheads are reapportioned to the production department because at the end of the day, the products are only generated and sold out of department A, B and C. The consultant states that X and Y are only support departments thus the need for reapportionment.

The following table shows the costs that had been allocated and apportioned to both the production and service department before the advisory of the accountant for reapportionment to be done:

Production department	FRW
A	450,000,000
B	280,000,000
C	320,000,000
Service department	
X	60,000,000
Y	40,000,000
<b>Total overhead costs</b>	<b>1,150,000,000</b>

The service department overhead costs are to be reapportioned to the production department as below:

	Production Department			Service Department	
	A	B	C	X	Y
Reapportion X	30%	45%	15%	-	10%
Reapportion Y	30%	25%	20%	25%	-

**Required:**

a) Using repeated distribution method, **reapportion service department overheads to production department.** (8 Marks)

b) **Explain the difference between general overheads and specific overheads giving examples** (2 Marks)

**(Total: 10 Marks)**

### **QUESTION 12**

a) Internal controls work alongside the control environment to create the overall control framework. This is known as the internal control system and is the combination of the control environment, the risk assessment process, control activities and monitoring of controls.

**Required:**

**Explain any three purposes of setting up robust internal control systems** (6 Marks)

b) **Explain the difference between cost control and cost reduction as used in cost management** (4 Marks)

**(10 Marks)**

## SECTION C

### QUESTION 13

The following information relates to Smart Accounting Ltd, a consultancy firm that specializes in provision of accounting, auditing and tax advisory services. The business targets high end clients whose objective is to get quality service.

You have been provided with financial information relating to both financial and non-financial performance of Smart Accounting Ltd.

#### Financial information

Details	2022	2021
Sales (FRW)	945,500,000	900,000,000
Gross profit (FRW)	378,200,000	378,000,000
Profit after tax (FRW)	94,550,000	109,620,000
Average cash balance (FRW)	120,000,000	118,000,000
Receivables period (industry average 30 days)	24 days	28 days
Inflation rate	6%	6%

#### Non-financial information

Details	2022	2021
Customer knowledge		
Number of customers	610	750
Average fee level (FRW)	1,550,000	1,200,000
Market share	14%	20%
Learning and growth		
Percentage of revenue from non-core work	4%	5%
Industry average of proportion of revenue from	30%	25%
Employee retention rate	60%	80%
Internal business process		
Error rates in jobs done	10%	10%
Average job completion time	7 weeks	10 weeks

#### Additional information:

1) Core work is defined as being accountancy and taxation. Non-core work is defined primarily as pension advise and business valuation services. Non-core work is traditionally high margin work.

2) Error rate measure the number of jobs with mistakes made by staff as a proportion of the number of clients serviced.

#### Required:

a) Using financial information only, comment on financial performance of the business (growth, profitability and liquidity) (8 Marks)

b) Using non-financial information, comment on the performance of the business. Include comments on customer knowledge, learning and growth, internal business processes (9 Marks)

c) Explain any three advantages of non-financial information as a performance measure for Smart Accounting Ltd (3 Marks)

(Total: 20 Marks)

### QUESTION 14

Muvumba Ltd is a company that makes a product, the splash. At the beginning of period 1, there were no opening inventories. The following information relates to the variable cost per unit and the fixed cost per period.

Variable cost per unit	FRW
Direct materials	1,200
Direct labour	2,400
Variable production overheads	800
Fixed production overheads	1,600
Variable selling overheads	600
	6,600

Fixed cost per period	FRW
Fixed production overheads	40,000,000
Fixed selling overheads	36,000,000
	76,000,000

#### Additional information:

- The selling price per unit was FFRW 8,000
- The company budgeted to produce and sell 25,000 units per period
- Actual production and sales for period 1 and 2 are as presented in the table below:

Details	Production units	Sales units
Period 1	25,000	20,000
Period 2	25,000	27,500

- There is no opening stock or work in progress in period 1

#### Required:

- Prepare Marginal Costing profit statement for period 1 and 2 (8 Marks)
- Prepare Absorption Costing profit statement for period 1 and 2 (8 Marks)
- Reconciliation of marginal costing and absorption costing profits for period 1 and 2 (4 Marks)

(Total: 20 Marks)

### QUESTION 15

- A budget is a quantified plan of action for a forthcoming period. Budgets can be prepared using a variety of different approaches.

#### Required:

Explain the following approaches to budgeting and functional budgets

- Incremental budget (2 Marks)
- Rolling budget (2 Marks)

iii) **Activity based budget** (2 Marks)

iv) **Zero based budget** (2 Marks)

v) **Material usage budget** (2 Marks)

b) The following information relates to Nyange Ltd:

Month	Cash sales	Credit sales	Purchases	Salaries	Fixed overheads
	FRW	FRW	FRW	FRW	FRW
August		1,200,000	950,000	210,000	400,000
September	500,000	1,450,000	1,150,000	210,000	400,000
October	550,000	1,600,000	1,280,000	240,000	400,000
November	480,000	1,620,000	1,160,000	240,000	450,000
December	520,000	1,500,000	1,400,000	250,000	450,000

**Additional information:**

1) The company had a cash balance of FRW 600,000 at the beginning of the month of October 2023.

2) Suppliers gave a credit period of one month

3) Salaries are paid in the current month

4) Fixed overheads are paid one month in arrears. 10% of the fixed overheads accounts for depreciation costs

5) Credit Sales: 60% of credit sales are settled in the month of sale and the balance settled equally after

one month and two months.

**Required:**

**Prepare a cash budget for three months from October 2023 to December 2023** (10 Marks)

**(Total: 20 Marks)**

**End of question paper**