# CERTIFIED PUBLIC ACCOUNTANT

# TECHNICAL LEVEL EXAMINATIONS

# MA1.2 MANAGEMENT ACCOUNTING

# DATE: WEDNESDAY, 27 MAY 2026

## INSTRUCTIONS:

1. Time allowed: **3 hours**
2. The examination has **50 compulsory** multiple-choice questions equal to **2 marks** each.
3. Select the letter corresponding to the correct option, unless otherwise stated.
4. Where a question involves computation, candidates may find helpful to the relevant calculations before choosing the correct answer letter. However, no marks will be awarded for any written workings.
5. The question paper should not be taken out of the examination room.

## SECTION A

### QUESTION 1

A company manufactures 3,000 units of Product Xana during June 2026, and the following costs were incurred:

| Cost elements | FRW in million |
|---|---|
| Variable materials costs | 6,000 |
| Variable labour costs | 4,500 |
| Fixed costs | 7,500 |
| Total costs | 18,000 |

Each unit of Product Xana is sold at a price of FRW 16 million.

**What is the contribution for one unit of Product Xana?**

A FRW 12.5 million
B FRW 4.5 million
C FRW 16 million
D FRW 10 million

**(2 Marks)**

### QUESTION 2

Jane works in the marketing department of a consumer goods company in Kigali. Her manager has asked her to determine whether customers are satisfied with a newly launched product. Jane is considering two approaches: Option 1 involves designing and conducting a customer satisfaction survey specifically for this product, collecting responses directly from buyers; Option 2 involves using an industry satisfaction report published last year by a trade association, which covered similar products across the market.

**Based on the scenario above, which one of the following statements describes primary data?**

A Primary data is data that has been collected especially for a specific purpose
B Primary data is data that can only take on a finite or countable number of values within a given range
C Primary data is data that cannot be measured
D Primary data is data that can be measured rather than counted, and can take on any value

**(2 Marks)**

### QUESTION 3

During 2026, the costs for Tora Manufacturing Company were as follows:

| Cost element | FRW million |
|---|---|
| Selling and distribution | 2,400 |
| Direct materials | 3,500 |
| Factory rent and rates | 1,800 |
| Direct wages | 4,100 |

| | |
|---|---|
| Special tooling costs (see a note below) | 1,600 |
| Administration overheads | 1,200 |
| Full cost | 14,600 |

Note: FRW 1,600 million recorded as special tooling costs consists of two separate items, FRW 1,000 million for tooling hired specifically for each batch of production and FRW 600 million for general workshop maintenance contract.

**What is the prime cost for Tora Manufacturing Company in 2026?**

A FRW 13,400 million
B FRW 8,600 million
C FRW 11,000 million
D FRW 9,200 million

**(2 Marks)**

**QUESTION 4**

On 1 January 2026, Company Rusha had opening materials inventory of FRW 32 million and opening work in progress (WIP) of 24 million. The company estimates that it will need to use materials costing FRW 164 million in production during 2026. If Company Rusha intends to have closing inventory of materials on 31 December 2026 of FRW 20 million, **what is the materials purchases budget for the year?**

A FRW 200 million
B FRW 128 million
C FRW 176 million
D FRW 152 million

**(2 Marks)**

**QUESTION 5**

Company Zebra has been producing Product TXLA for 4 years. Sales of Product TXLA increased in years 1 to 3. During Year 4, the growth in demand for Product TXLA started to slow down, and monthly sales became constant in the final quarter of the year.

**Which one of the following stages in the product life cycle has Product TXLA reached in Year 4?**

A Maturity stage
B Growth stage
C Maintenance stage
D Final stage

**(2 Marks)**

**Use the following to answer the questions from 6 to 9**

The following data was extracted from the cost accounting records of PQ Ltd for the year ended 31st December 2024:

| Details | AA | BB | CC | DD |
|---|---|---|---|---|
| Demand (units) | 8,000 | 15,000 | 10,000 | 6,000 |
| Selling price per unit (FRW) | 3,000 | 2,600 | 2,800 | 2,400 |
| Direct material cost per unit (FRW) | 960 | 800 | 720 | 640 |
| Direct labour cost per unit (FRW) | 480 | 600 | 420 | 720 |
| Variable overhead per unit (FRW) | 300 | 260 | 280 | 240 |
| Total variable costs (FRW) | 1,740 | 1,660 | 1,420 | 1,600 |
| Contribution per unit (FRW) | 1,260 | 940 | 1,380 | 800 |
| Fixed costs per unit (FRW) | 200 | 200 | 200 | 200 |
| Net profit per unit (FRW) | 1,060 | 740 | 1,180 | 600 |

**Additional Information**

- Labour rate: FRW 60 per hour
- Material cost: FRW 80 per kilogram
- Available materials: 320,000 kg per year
- Available labour hours: 420,000 hours per year

**QUESTION 6**

**What is the total quantity of material (in kg) required by PQ Ltd to meet full demand for all four products?**

A 307,200 kg
B 320,000 kg
C 360,000 kg
D 384,000 kg

**(2 Marks)**

**QUESTION 7**

**Which of the following correctly identifies the binding limiting factor for PQ Ltd?**

A Materials
B Labour
C Both materials and labour are equally limiting factors
D There is no limiting factor

**(2 Marks)**

## QUESTION 8

**What is the correct order of production priority for PQ Ltd's products under the limiting factor?**

A CC, AA, DD, BB
B CC, AA, BB, DD
C AA, CC, DD, BB
D CC, DD, AA, BB

**(2 Marks)**

## QUESTION 9

Based on the optimal production plan, **what is the total maximum contribution PQ Ltd can earn for the year ended 31 December 2024?**

A FRW 34,884,000
B FRW 36,476,000
C FRW 36,764,000
D FRW 42,780,000

**(2 Marks)**

The management accountant of BRT Ltd prepared and presented the following cost data for the financial year ended 31st December 2024. Use this information to answer Questions 10 to 14.

**Cost Variances**

| **Variance** | **Amount (FRW)** | **A / F** |
|---|---|---|
| Material cost variance | | |
| Material price variance | 3,000,000 | Adverse |
| Material usage variance | 3,900,000 | Favourable |
| Labour cost variances | | |
| Labour efficiency variance | 3,465,000 | Favourable |
| Labour rate variance | 1,350,000 | Adverse |
| Overhead variances | | |
| Variable overhead expenditure variance | 2,250,000 | Favourable |
| Variable overhead efficiency variance | 3,375,000 | Favourable |
| Fixed overhead expenditure variance | 3,000,000 | Favourable |

**Actual Cost Data**

| | |
|---|---|
| Production units | 22,000 units |
| Direct material (60,000 kgs) | 42,000,000 |
| Direct labour (45,000 hrs) | 36,000,000 |
| Variable overhead expenditure | 31,500,000 |
| Fixed overhead expenditure | 27,000,000 |

**Additional Information**

- Budgeted output for the year was 30,000 units.
- Variable overhead cost is absorbed on the basis of labour hours per unit.

**(2 Marks)**

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**QUESTION 10**

**What is the budgeted (standard) material quantity per unit of output?**

A 2.00 kg per unit
B 2.73 kg per unit
C 2.98 kg per unit
D 3.00 kg per unit

**(2 Marks)**

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**QUESTION 11**

**What is the budgeted (standard) number of labour hours per unit of output?**

A 1.50 hours per unit
B 2.05 hours per unit
C 2.24 hours per unit
D 2.25 hours per unit

**(2 Marks)**

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**QUESTION 12**

**What is the budgeted variable overhead absorption rate?**

A FRW 636 per hour
B FRW 700 per hour
C FRW 750 per hour
D FRW 775 per hour

**(2 Marks)**

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**QUESTION 13**

**What is the budgeted fixed overhead cost for the year?**

A FRW 24,000,000
B FRW 27,000,000
C FRW 30,000,000
D FRW 36,818,182

**(2 Marks)**

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## QUESTION 14

**What is the standard cost per unit of output for BRT Ltd?**

A FRW 5,370
B FRW 6,205
C FRW 6,370
D FRW 6,734

**(2 Marks)**

## QUESTION 15

**Which one of the following types of budget can be analysed into subsidiary budgets that detail responsibility for generating sales and controlling costs?**

A Capital budget
B Flexed budget
C Master budget
D Profiled budget

**(2 Marks)**

## QUESTION 16

Hige Company is preparing its budget for 2015, and has identified the following estimates:

| Details | FRW million |
|---|---|
| Depreciation for office building | 80 |
| Carriage inwards | 21 |
| Stationery, postage and telephone | 23 |
| Sundry expenses | 32 |
| Sales commission | 38 |

**What is Hige Company's administrative overheads budget for 2015?**

A FRW 173 million
B FRW 135 million
C FRW 211 million
D FRW 91 million

**(2 Marks)**

## QUESTION 17

Erik Company's budgeted profit or loss statement for 2017 includes the following sales figures:

| Details | FRW million |
|---|---|
| September | 36 |
| October | 40 |
| November | 34 |
| December | 24 |

Erik has estimated that 25% of sales are paid in cash during the month of the sale, 50% in the month following the sale, and the cash for the remaining 25% of sales is received two months after the sale.

**What amount should be included in Erik's Cash Budget for the month of December 2017?**

A FRW 38 million
B FRW 24 million
C FRW 33 million
D FRW 37 million

**(2 Marks)**

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**QUESTION 18**

Low Company manufactures product Xavana, which passes through processes in Departments 1 and 2. Each unit of Product Xavana requires 1.5 hours of processing in Department 1, and 2.5 hours of processing in Department 2. Direct wages are FRW 5,000 per hour in Department 1 and FRW 6,000 in Department 2. Production in 2016 is forecast to be 40,000 units of product Xavana.

**What is the direct labour costs budget for product Xavana for 2016?**

A FRW 860 million
B FRW 600 million
C FRW 960 million
D FRW 900 million

**(2 Marks)**

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**QUESTION 19**

**Which one of the following is a description of a profiled budget?**

A A profiled budget shows the cash amounts related to budget lines from the statement of profit or loss
B A profiled budget shows how the total annual budget will be split between shorter periods
C A profiled budget shows the annual budget, adjusted for inflation
D A profiled budget shows the requirements for materials, labour, and other direct costs

**(2 Marks)**

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**QUESTION 20**

Kingdom Company has a factory that has 8 machines, and operates for 48 weeks of the year. Each machine is capable of producing 350 units of Product M per week. On average, 1 machine is unavailable due to breakdown or maintenance.

**What is the maximum annual production of Product M?**

A 117,600
B 127,400
C 134,400
D 140,000

**(2 Marks)**

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## QUESTION 21

**Which one of the following factors might result in an unfavourable labour rate variance?**

A Use of a lower grade of labour than anticipated
B More idle time than budgeted
C Unexpectedly low levels of overtime
D An unexpected pay increase for employees

**(2 Marks)**

## QUESTION 22

Rowana Company has recorded unfavourable labour hours variances during the past six months

**Which one of the actions by Rowana's management would be appropriate to address the unfavourable labour hours variance?**

A Purchase new machinery
B Arrange training for production staff
C Cancel all overtime
D Announce redundancies of production staff

**(2 Marks)**

Nova Manufacturing Ltd is a listed manufacturing company. The following financial statements have been extracted from the company's annual report for the year ended 31 December 2024. Use this information to answer Questions 23 to 26.

| **Statement of Profit or Loss** | **FRW** |
|---|---|
| Revenue | 480,000,000 |
| Cost of sales | (312,000,000) |
| Gross profit | 168,000,000 |
| Operating expenses | (72,000,000) |
| Operating profit (EBIT) | 96,000,000 |
| Interest expense | (18,000,000) |
| Profit before tax | 78,000,000 |
| Income tax expense | (28,800,000) |
| Profit after tax | 49,200,000 |

| **Statement of Financial Position** | **FRW** |
|---|---|
| Non-current assets | |
| Property, plant and equipment | 360,000,000 |
| Current assets | |
| Inventories | 52,000,000 |
| Trade receivables | 64,000,000 |
| Cash and cash equivalents | 24,000,000 |
| Total assets | 500,000,000 |
| Equity and liabilities | |

| | |
|---|---|
| Equity (shareholders' funds) | 250,000,000 |
| Long-term borrowings | 180,000,000 |
| Current liabilities | |
| Trade payables | 48,000,000 |
| Other current liabilities | 22,000,000 |
| Total equity and liabilities | 500,000,000 |

**Additional Information**

- All sales are on credit.
- The company's year-end figures are representative of the full year and should be used in all ratio calculations.
- Where applicable, use 365 days in a year.

**QUESTION 23**

**What is the gross profit margin of Nova Manufacturing Ltd for the year ended 31 December 2024?**

A 10.3%
B 20.0%
C 35.0%
D 285.7%

**(2 Marks)**

**QUESTION 24**

**What is the return on capital employed (ROCE) for Nova Manufacturing Ltd for the year ended 31 December 2024?**

A 11.44%
B 19.20%
C 22.33%
D 38.40%

**(2 Marks)**

**QUESTION 25**

**What is the current ratio of Nova Manufacturing Ltd as at 31 December 2024?**

A 0.50: 1
B 0.56: 1
C 1.26: 1
D 2.00: 1

**(2 Marks)**

**QUESTION 26**

**What is the trade receivable collection period for Nova Manufacturing Ltd for the year ended 31 December 2024?**

A 48.0 days
B 48.7 days
C 74.9 days
D 106.5 days

**(2 Marks)**

**QUESTION 27**

**Which one of the following statements is true about the role of other professionals in management accounting?**

A All management accounting activities need to be authorised by external audit experts
B All management accounting activities can be carried out entirely by accounting specialists, without using inputs from other functions or specialisms
C Management accounting activities may benefit from support from specialists with professional qualifications, but not from experienced staff who do not have a professional qualification
D Management accountants may consult information and expertise from other specialists, such as market experts and statisticians

**(2 Marks)**

**QUESTION 28**

GG Company has purchased a vehicle, and the following cost information has been identified:

| Year | Details | Cash flow | 10% factor | Present value |
|---|---|---|---|---|
| | Purchase | FRW million | | FRW million |
| 0 | Running costs | (110,000) | 1.000 | (110,000) |
| 1 | Running costs | (12,000) | 0.909 | (10,908) |
| 2 | Running costs | (10,000) | 0.826 | (8,260) |
| 3 | Running costs | (11,000) | 0.751 | (8,261) |
| 3 | Sale proceeds | 22,000 | 0.751 | 16,522 |

**What is the net present value life cycle cost of the vehicle?**

A FRW 120,907 million net cost
B FRW 137,429 million net cost
C FRW 121,000 million net cost
D FRW 153,951 million net cost

**(2 Marks)**

**QUESTION 29**

The following information relates to Product W:

| Details | Unit/ FRW |
|---|---|
| Budgeted sales (units) | 105,000 |
| Budgeted selling price (per unit) | FRW 95,000 |
| Actual sales (units) | 120,000 |
| Actual selling price (per unit) | FRW 98,000 |

**What is the sales price variance for Product W in the period?**

A FRW 315 million – Adverse
B FRW 315 million – Favourable
C FRW 360 million – Favourable
D FRW 360 million - Adverse

**(2 Marks)**

**QUESTION 30**

DJ Company has standard labour hours for Product Zed of 3.5 hours at a rate of FRW 4,500 per hour. The actual labour cost in the period was FRW 33.5 million, and 2,000 units of Product Zed were produced.

**What is the labour cost variance for Product Zed in the period?**

A FRW 1.0 million unfavourable
B FRW 2.5 million unfavourable
C FRW 2.0 million unfavourable
D FRW 2.2 million unfavourable

**(2Marks)**

**QUESTION 31**

A manufacturing company has introduced a new product, Product Z, which is estimated to require direct materials of FRW 20 million and direct labour of FRW 16 million per unit. The manufacturing process involves two stages: 3 hours of Stage 1, and 0.5 hours of Stage 2 per unit of product Z.
The company have determined the following overhead absorption rates:
Stage 1 FRW 1.8 million per labour hour
Stage 2 FRW 2.2 million per labour hour

**What is the unit cost of Product Z on an absorption costing basis?**

A FRW 43.6 million
B FRW 42.5 million
C FRW 40 million
D FRW 48 million

**(2Marks)**

## QUESTION 32

Magi Company manufactures and sells product Pree, which is sold at a price of FRW 5,000 per unit. Magi uses an inspection team to control the quality of product Pree, and during the first quarter of 20X7, the inspection team incurred costs of FRW 0.8 million. During the first quarter, 650 units of Pree were identified as being of substandard quality, and the substandard units are expected to be sold at a reduced price of FRW 1,000 each.

**What is Magi's total cost of quality in the first quarter of 20X7?**

A FRW 4.05 million
B FRW 0.8 million
C FRW 2.6 million
**D** FRW 3.4 million

**(2 Marks)**

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## QUESTION 33

Right Company has invested FRW 10 million in a project that will provide an annual cash inflow of FRW 1.8 million in Years 1 to 3. The company uses a cost of capital of 15% to appraise new capital projects.

**What is the present value of the cash inflow in Year 3 only?**

A FRW 1.18 million
B FRW 1.6 million
C FRW 1.8 million
D FRW 1.36 million

**(2 Marks)**

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## QUESTION 34

**Which one of the following statements is true for budget reports?**

A Budget reports are compiled using formats that are imposed by external regulators
B Budget reports are compiled using mainly internal data, but budget monitoring may also require some reference to external information
C Budget reports are compiled when there are problems in the organisation, rather than on a regular basis
D Budget reports are compiled using mainly external data, but budget monitoring may also require some reference to internal information

**(2 Marks)**

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## QUESTION 35

Diner Company operates three restaurants, in 20X6, the following results were reported:

| Details | FRW |
|---|---|
| New Restaurant | FRW 15 million profit |
| Old Restaurant | FRW 21 million loss |
| Modern Restaurant | FRW 14 million profit |

Old Restaurant was charged with FRW 13 million in central recharges during 20X6. If Old Restaurant were to be closed, FRW 10 million of these recharges would need to be transferred to New and Modern Restaurants.

**Which one of the following decisions would be appropriate for Diner Company management to consider in order to maximise future profits?**

A Maintain the operations in Old Restaurant, as these are making a contribution to central fixed costs
B Introduce Target Costing, as this will reduce the overall cost of recharges
C Amend the proportions applied in the central recharge system so that Old Restaurant can be shown to be making a profit
D Close the operations in Old Restaurant, as the annual loss of FRW 21 million is greater than the fixed costs that would be transferred

**(2 Marks)**

## QUESTION 36

On 1 January 20X6, Upping Company is considering an investment in a new factory, and the following costs have been identified:

| Details | FRW million |
|---|---|
| Preparation of site (estimated) | 50,000 |
| Construction of building (estimated) | 800,000 |
| Purchase of machinery (acquired 20X5) | 150,000 |
| Purchase of land (acquired 20X4) | 550,000 |

The land was purchased two years ago for a different project that has since been abandoned. There is no alternative use for the land at present. Machinery purchased in 20X5 is currently surplus to requirements, but can be used in the new factory. It has no other use at present.
No other commitments have been made to incur costs on preparation of the site or the construction work. Management are currently in the process of deciding whether to proceed with the investment, and are waiting for estimated future revenues to be determined.

**What is the total sunk cost relating to this investment decision?**

A FRW 700,000 million
B FRW 950,000 million
C FRW 1,550,000 million
D FRW 750,000 million

**(2 Marks)**

## QUESTION 37

Donod Company operates five factories, and the company is preparing a report to decide whether to build an additional factory. The land that the factory is to be situated on was purchased the previous year, but no other expenditure has been committed to date in relation to the new factory.

**Which one of the following is a relevant cost in the context of the decision as to whether or not to build the factory?**

A The insurance costs on existing factory buildings
B The cost of building materials
C A recharge for existing central administration costs
D The cost of the land

**(2 Marks)**

## QUESTION 38

The Muddle Company requires potential investments to achieve a discounted payback period of 3 years or less. The cost of capital used in assessing projects is 12%. The following forecast cash inflows relate to D Project, which requires an investment of FRW 50 million in Year 0.
Figures in FRW million:

| Year | Cash flow (FRW) | Discounted cash flow |
|---|---|---|
| 1 | 20 | 17.9 |
| 2 | 18 | 14.3 |
| 3 | 16 | 11.4 |
| 4 | 12 | 7.6 |

**Which one of the following statements is true?**

A Muddle should not go ahead with D Project as the discounted payback period is 3 years 6 months
B Muddle should go ahead with D Project as the discounted payback period is less than 4 years
C Muddle should go ahead with D Project as the cash flows after 7 years total FRW 66 million, which is greater than the investment of FRW 100 million
D Muddle should revise the calculations using a lower cost of capital

**(2 Marks)**

## QUESTION 39

**Which one of the following statements is correct?**

A Systematic sampling is a method of establishing the underlying trend in a set of data across a period of time
B A moving average is an average of the results of a defined number of periods
C The indexing technique is a method of establishing the underlying trend in a set of data across different parts of an organization
D The linear regression technique is applied to past results, and is not suitable for forecasting

**(2 Marks)**

## QUESTION 40

Nela Company paid $750,000 for materials in 2014, and $620,000 in 2015. The exchange rates were as follows:

2014 $1 = FRW 1,300
2015 $1 = FRW 1,450

Nela Company's main currency for financial and performance reporting is FRW.

**What is the decrease in materials costs from 2014 to 2015 after adjusting for exchange rate differences?**

A 10.7%
B 2.8%
C 7.8%
D 17.3%

**(2 Marks)**

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## QUESTLION 41

**Which one of the following techniques would be used to enable a company to compare monetary figures across years during a period of inflation?**

A Time series
B Net present value
C Indexing
D Linear regression

**(2 Marks)**

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## QUESTION 42

A cost report for Quarter 3 of 20X6 for Turning Company included the following information:

| Month | Production/units | Material B cost/ FRW million | Material G cost/ FRW million |
|---|---|---|---|
| July | 150,000 | 15 | 25 |
| August | 200,000 | 12 | 60 |
| September | 100,000 | 10 | 40 |

The production manager has been asked to prepare a cost report and comment on the cost of materials over the period.

**Which of the following would be appropriate comments or conclusions for the production manager to report, based on this information?**

| | |
|---|---|
| A | • The price paid for Material B appears to have increased over the period<br>• The price paid for Material G may have increased, but Material G may also have been used more efficiently in September compared with the rest of the period |
| B | • The price paid for Material B appears to have decreased over the period<br>• The price paid for Material G may have decreased, but Material G may also have been used more efficiently in September compared with the rest of the period |
| C | • The price paid for Material B appears to have been unchanged over the period |

| | |
|---|---|
| | • The price paid for Material G may have increased, but Material G may also have been used less efficiently in August and September, compared with July |
| D | • The price paid for Material B appears to have decreased over the period<br>• The price paid for Material G indicates that Turning must have been using several different suppliers of the material during the period |

**(2 Marks)**

## QUESTION 43

A government education inspector has prepared a report on the Education service's schools in the North region. The report shows that the pupil-teacher ratio in schools was on average 30:1 (i.e 30 pupils to 1 teacher). The range across schools in the region was from 18.5:1 to 34:1. The government policy is for pupil-teacher ratios to be no more than 25:1 in any school.

**Which one of the following would be an appropriate action by schools in the North region in response to this information?**

A No action is necessary, as the region's average is within the required maximum of 25:1
B Pupils over the minimum school leaving age should be asked to leave school and find jobs
C Pupils should be selected at random and moved from schools with high ratios (over 25:1) to schools with lower ratios
D Action should be taken to reduce the ratio in schools that are currently above 25:1, eg by hiring additional teachers

**(2Marks)**

## QUESTION 44

**Which one of the following is true of instances of fraud in an organisation?**

A Fraud is often accidental
B Fraud involves the use of deception
C Fraud involves the misappropriation of monetary assets, but not physical assets
D Fraud is always perpetrated by individuals within an organisation

**(2Marks)**

## QUESTION 45

**Which of the following statements is correct?**

A The accounting system should provide information to management that is sufficient for their needs and at the lowest cost
B Management can be confident that the information they receive from an accounting system is reliable, as it is produced by a computer
C Management need to generate information from at least two sources to be confident that the information they receive from an accounting system is reliable, up-to-date, accurate, and compliant with any applicable regulations
D It is more important for an accounting system to be as inexpensive as possible, rather than for the information from the system to be reliable

**(2Marks)**

**QUESTION 46**

**Which one of the following tools can be described as 'a diagram of an organisation, cross-referenced to the risks of frauds occurring in each department'?**

A A fraud matrix
B A control diagram
C An audit analysis
D A risk register

**(2 Marks)**

**QUESTION 47**

**Which one of the following sets out 5 of the steps, in the correct order, that are typically involved in making changes to an accounting system?**

| | |
|---|---|
| A | 1. Arrange approval for the change from regulators<br>2. Make the change<br>3. Estimate the cost of the change<br>4. Communicate the plan to staff<br>5. Monitor the effectiveness of the change |
| B | 1. Analyse the system and design a simpler approach<br>2. Set up a separate bank account for the cost of the changes<br>3. Make the change<br>4. Engage external auditors to oversee the change<br>5. Report to government on the results of the change |
| C | 1. Analyse the system and identify areas of strength<br>2. Prepare a plan for making the change<br>3. Pay the suppliers<br>4. Make the change, only if it results in savings<br>5. Report any savings in the statement of profit or loss |
| D | 1. Analyse the system and identify areas of weakness<br>2. Prepare a plan for making the change<br>3. Communicate the plan and timetable to staff<br>4. Make the change<br>5. Monitor the effectiveness of the change |

**(2 Marks)**

**QUESTION 48**

Beag Company has six departments, which have operated separate accounting systems for the past 10 years. Beag's management have decided that on 1 January 20X8, the systems for all six departments will be replaced by one single system, covering all accounting functions, inventory control, and management reports.

**Which one of the following terms describes the type of change that Beag is planning to make?**

A Incremental change
B Transformational change
C Adjustment change
D Accounting change

**(2 Marks)**

**Use the following information for question 49 and 50**

Inzovu Agro-Processing Ltd processes and packages dried fruits in Musanze, Rwanda. The company uses incremental budgeting, applying a fixed percentage increment to the prior year's actual expenditure to produce each year's budget. The Finance Manager is preparing the 2025 budget. The 2024 actual results and relevant notes are shown below:

| Expenditure line | RWF '000' | Notes |
|---|---|---|
| Direct materials | 48,000 | Includes RWF 6,000 one-off bulk purchase (non-recurring) |
| Direct labour | 22,000 | Recurring. A 5% pay rise applies from Jan 2025 |
| Production overheads | 15,000 | Includes RWF 3,500 idle time (non-recurring machine breakdown) |
| Selling & distribution | 9,500 | Recurring |
| Administration | 7,200 | Recurring |

The standard increment applied each year is 8% on prior year actuals. Additionally, the Board has approved a new packaging line that will add RWF 4,000,000 in direct labour and RWF 2,500,000 in direct materials, costs not reflected in the 2024 actuals above.

**QUESTION 49**

**What is the correctly computed 2025 budgeted direct labour cost?**

A FRW 27,100,000
B FRW 27,710,000
C FRW 26,000,000
D FRW 29,776,000

**(2 Marks)**

**QUESTION 50**

**What is the total 2025 budgeted expenditure?**

FRW 116,336,000
FRW 101,700,000
FRW 109,836,000
FRW 104,514,000

**(2 Marks)**

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**(Total: 100 Marks)**

**End of question paper**