CERTIFIED ACCOUNTING TECHNICIAN

STAGE 3 EXAMINATIONS

S3.2: MANAGEMENT ACCOUNTING

DATE: THURSDAY 28, MAY 2026

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

The following transactions relates to Akaranga Ltd

i) Transport of finished goods to the market from the company factory
ii) Transport of raw materials from the supplier to the factory
iii) Renting of the distribution shop
iv) Commission paid to the sales representatives

Which one of the following are examples of non-production costs?

A ii, iii, iv
B i, ii, iii
C i, iii, iv
D ii, iv

(2 Marks)

QUESTION TWO

A factory has two production departments (A and B) and two service departments (X and Y). The company has incurred the following overhead costs over the month of April, 2026

Overhead	Amount (FRW)
Rent	500,000
Depreciation of Plant	1,200,000
Electricity	800,000
Canteen Costs	100,000
Total Overhead	2,600,000

The following basis of apportionment are also identified:

Details	A	B	X	Y	Total
Plant Book Value (FRW)	500,000	600,000	300,000	600,000	2,000,000
Area (M^2)	120	80	50	150	400
Number of Employees	36	24	18	12	90
Kilo watts	200	300	250	250	1,000

Calculate the apportioned overhead cost of department X for the month of April, 2026?

A FRW 760,833
B FRW 650,000
C FRW 462,500
D FRW 726,667

(2 Marks)

QUESTION THREE

Which one of the following is not an objective of a system of budgetary planning and control?

A To motivate employees to maintain current performance levels
B To coordinate activities
C To compel planning
D To establish a system of control

(2 Marks)

QUESTION FOUR

An accounting system is one that takes raw data on transactions as its input, processes this, and then produces many outputs to meet the information needs of stakeholders. A good accounting system is effective if it meets certain objectives.

Which of the following is not an objective of an effective accounting system?

A Timeliness
B Cost Effective
C Verifiability
D Reliability

(2 Marks)

The following information relates to Question FIVE, SIX and SEVEN

Muvumba PLC has the following data in respect to production of its steel products for the first quarter of 2026

Details	**Budget**	**Actual**
Sales / Production Units	1,000	1,200
Total Direct Materials Cost	FRW 8,200,000	FRW 8,600,000
Materials Kgs per unit	8 kgs	10 kgs
Sales price per unit	FRW 12,100	12,200

QUESTION FIVE

What is the sales price variance for Mavumba Ltd?

A FRW120,000 Favourable
B FRW120,000 Adverse
C FRW 12,100,000 Adverse
D FRW 14,640,000 Adverse

(2 Marks)

QUESTION SIX

Calculate the Material Usage Variance for Mavumba Ltd

A FRW 2,460,000 Favourable
B FRW 3,700,000 Adverse
C FRW 3,700,000 Favourable
D FRW 2,460,000 Adverse

(2 Marks)

QUESTION SEVEN

What is the Material Price Variance for Mavumba Ltd?

A FRW 2,460,000 Favourable
B FRW 3,700,000 Adverse
C FRW 3,700,000 Favourable
D FRW 2,460,000 Adverse

(2 Marks)

QUESTION EIGHT

Which of the following statements best describes an investment centre within an organization?

A A centre whose manager is in charge of only the income earned
B A centre where only expenditure is incurred
C A centre where expenditure is incurred and also income earned
D A centre where costs are incurred, income earned and also expenditure decisions on non current assets are made.

(2 Marks)

The following information relates to Question NINE and 10

Jari Ltd has provided you with the following information that measures cost behaviour patterns:

	Total Cost (FRW)	Activity Level
1	68,750,000	1,175
2	75,000,000	1,300
3	72,500,000	1,250
4	70,000,000	1,210

Jari Ltd uses High Low method of cost estimation

QUESTION NINE

Calculate the Variable cost per activity level

A FRW 10,000,000
B FRW 50,000
C FRW 65,000,000
D FRW 75,000,000

(2 Marks)

QUESTION 10

Calculate the Fixed Cost for the period

A FRW 10,000,000

B FRW 50,000

C FRW 65,000,000

D FRW 75,000,000

(2 Marks)

SECTION B

QUESTION 11

Zuri Ltd is a manufacturing company that has been operating in Rwamagana Region for the last 10 years. The management of the company are considering introducing a new product to the market called Pure.

The Managing Director (MD) of Zuri has heard of the concept of product life cycle and has been researching on what it involves. The MD has found out that the new product will have a limited life cycle and therefore it is important to know all the stages involved in each of the steps of the cycle. The MD has approached you as the accountant of the company and asked you to break down the detailed concept of the product life cycle.

Required:

Explain each of the five stages involved in the product life cycle

(Total: 10 Marks)

QUESTION 12

Ubwiza Ltd produces two products Able and Beta and the company is planning its production mix for the month of June, 2026. Information relating to the two products is provided in the table below:

Details	Able	Beta
Maximum demand (Units)	2,000	3,000
Selling price per unit (FRW)	50,000	40,000
Material cost per unit (FRW)	17,000	16,000
Labour cost per unit (FRW)	21,000	14,000

Employees are paid at a rate of FRW 7,000 per labour hours. Labour hours available for the month of June are 10,000 hours in total.

Required:

a) **Determine whether labour is a limiting factor or not** (2 Marks)

b) **Determine the Optimal Production Plan for the company** (6 Marks)

c) **Calculate the total contribution of the company based on the Optimal Production plan calculated in part b** (2 Marks)

(Total: 10 Marks)

SECTION C

QUESTION 13

a) At the end of the year, all businesses are normally advised to sit down and reflect on their performance. It's the duty of the management accountant to measure the performance of the business. Performance measurement is normally defined as a measure of how something or somebody is doing in relation to a plan.

Required:

Explain six factors to be considered before the business measures performance of an organization (6 Marks)

b) Kamonyi Ltd is a company operating in the Southern Province of Rwanda. The following are the financial statements of Kamonyi Ltd for the two years' period ending 31st December 2025.

Statement of Profit or Loss for the year ended:

Details	2024	2025
	FRW 000	**FRW 000**
Sales	152,200	202,600
Cost of Sales	105,000	140,000
Gross Profit	47,200	62,600
Administration Costs	4,500	5,100
Distribution Costs	2,400	1,900
Operating Profit	40,300	55,600
Finance Cost	12,000	12,000
Profit Before Tax	28,300	43,600
Income Tax	8,490	13,080
Profit After Tax	19,810	30,520

Statement of Financial Position as at:

Details		2024		2025
	FRW 000	**FRW 000**	**FRW 000**	**FRW 000**
Non Current Assets				
Property, Plant & Equiptment		220,000		275,000
Investment Property		132,000		165,000
Total Non Current Assets		352,000		440,000
Current Assets				
Inventory	10,800		9,180	
Receivables	36,000		30,600	
Cash	6,000	52,800	5,100	44,880
Total Assets		404,800		484,880
Equity				
Ordinary Share Capital		138,000		138,000
Share premium		83,840		87,128

Retained Earnings		100,000	-	130,520
		321,840		355,648
Non Current Liabilities				
Loan		45,460		80,482
Current Liabilities				
Payables	22,500		29,250	
Income Tax	15,000	37,500	19,500	48,750
Total Equity & Liabilities		404,800		484,880

Required:

Calculate the following working capital ratios for each of the two years 2024 and 2025

i) Current Ratio (2 Marks)
ii) Quick Ratio (2 Marks)
iii) Inventory Period (2 Marks)
iv) Receivables Period (2 Marks)
v) Payables Period (2 Marks)
vi) Working Capital (2 Marks)
vii) Working Capital Cycle Period (2 Marks)

(Total: 20 Marks)

QUESTION 14

a) Quality is normally described as the degree of excellence of a product or service or how well the product or service serves its purpose. One approach to the management of quality is to measure and manage quality costs. The aim should be to achieve a desirable standard of quality for the least cost. The costs of quality are the costs of ensuring and assuring quality and also any losses incurred when quality is not achieved.

Required:

Explain the four main areas of quality related costs (8 Marks)

b) Amahoro Ltd is a company that deals in production of three types of leather fabrics branded as A, B and C. The company has been producing and selling the leather products over the last 10 years. Over the same period, the company has been using cost plus pricing strategy where the cost per unit of a product is computed then the company adds a profit mark up of 25% on the cost of each product. Previously, the company has been using the traditional method of absorbing overheads using labour hours.
The company has now made a choice to move from the traditional method of costing the products to Activity Based Costing (ABC) technique. The company has still retained the 25% profit mark-up ratio on Activity Based Costs. The following information is provided from the records of Amahoro Ltd

Details	**A**	**B**	**C**
Direct material cost per unit (FRW)	8,200	6,400	7,600
Direct labour hours per unit	3	2	4
Demand in units	2,500	4,200	3,400

Additional information
1) The labour cost per hour is FRW 1,500.
2) The total production overhead was FRW 20,000,000 analysed below:

Overhead	Total Amount %	Cost Driver
Rent	60%	Area
Set up costs	30%	Number of Set ups
Procurement costs	10%	Number of purchase orders

3) The cost driver information is as follows:

Details	A	B	C	Total
Area (M2)	120	200	80	400
Number of setups	64	36	20	120
Number of purchase orders	18	22	10	50

Required:

i) Calculate the cost per unit of each product A, B and C using Activity Based Costing principle (9 Marks)

ii) Find the selling price of each product (3 Marks)

(Total: 20 Marks)

QUESTION 15

a) Nshuti Ltd has the following forecast sales for three products A, B and C which uses raw materials X, Y and Z

Details	A	B	C
Forecast Sales Units	22,000	36,000	40,000

Additional Information
1) The opening inventory of finished product for each item is 6,000 units of A, 10,000 units of B and 7,500 units of C
2) The closing inventory of finished product is 25% of the sales of each item.
3) The opening inventory of raw materials is 12,000 kgs of X, 8,200 kgs of Y and 9,400 kgs of Z
4) The closing inventory of raw materials is 4,500 kgs of X, 6,800 kgs of Y and 7,200 kgs of Z
5) The raw materials usage per unit produced is as presented in the table below:

Details	A	B	C
Raw Material X	3.5 kgs	5.0 kgs	2.8 kgs
Raw Material Y	4.0 kgs	7.0 kgs	4.5 kgs
Raw Material Z	2.5 kgs	6.2 kgs	5.5 kgs

6) The purchase price of raw materials is: FRW 6,200 per kg of X, FRW 5,600 per kg of Y and FRW 4,800 per kg of Z.
7) The selling price of unit A is FRW 8,000, of B is FRW 7,500 and of C is FRW 6,800.

Required:

i) Prepare the sales budget for the three products A, B and C (3 Marks)

ii) Prepare Production Budget for the three products A, B and C (3 Marks)

iii) Prepare Materials Usage budget for the three products (4.5 Marks)

iv) Prepare Materials Purchase Budget in Kgs and FRW for each of the products (4.5 Marks)

b) A budget is defined as a quantitative plan of action prepared in advance of the period to which it relates. Even though budgets are part of management accounts which are not legally required, they are still very important part of internal accounts that need to be prepared in order to manage a business successfully.

Required:

Explain five purposes or objectives of preparing a budget for an organization. (5 Marks)

(Total: 20 Marks)

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