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**CERTIFIED PUBLIC ACCOUNTANT**  
**TECHNICAL LEVEL EXAMINATIONS**  
**MA1.2: MANAGEMENT ACCOUNTING**  
**MARKING GUIDE AND MODEL ANSWERS**

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## **SECTION A**

### **Marking Guide**

<b>QN</b>	<b>Answer</b>	<b>QN</b>	<b>Answer</b>
1	D	26	B
2	D	27	D
3	B	28	A
4	A	29	B
5	B	30	C
6	C	31	B
7	B	32	C
8	D	33	B
9	A	34	B
10	A	35	A
11	A	36	C
12	A	37	C
13	A	38	B
14	B	39	C
15	D	40	D
16	C	41	D
17	D	42	A
18	A	43	A
19	B	44	B
20	D	45	C
21	B	46	D
22	B	47	D
23	B	48	B
24	A	49	A
25	C	50	B

### **Model Answers**

#### **QUESTION ONE**

D: Correct definition: A cost that does not change with changes in the level of production

#### **QUESTION TWO**

D is correct

Variable costs:  $3,500 + 6,500 = 10,000$

Selling price less variable costs:  $(2,000 * 15) - 10,000 = 20,000$

#### **QUESTION THREE**

B is correct

Prime cost:  $120 + 160 = 280$

#### **QUESTION FOUR**

A

Correct statement: 'A budget is usually set for a period of up to one year, whereas a strategic plan will usually cover a period of 3 to 5 years'

#### **QUESTION FIVE**

B

Correct budgeted sales:  $5,600 + 46,000 - 4,300 = 47,300$

#### **QUESTION SIX**

C

Correct action: 'The budget manager should not be held accountable for the variance'

#### **QUESTION SEVEN**

B

Correct budget:

$(420 * 1.04) + (290 * 1.05) + (110 * 1.04) + (75 * 1.025) = 436.8 + 304.5 + 114.4 + 76.875 = 932.575$

#### **QUESTION EIGHT**

D

Correct description: Semi-fixed cost

#### **QUESTION NINE**

A

Correct standard cost:

$32,000 \times 4 \times 1,000 = 128 \text{ million}$

#### **QUESTION TEN**

A

Correct method: Quota sampling

#### **QUESTION 11**

A

Correct definition: 'A type of faceted code where each digit represents a classification, and each digit further to the right represents a smaller subset than those to the left'

#### **QUESTION 12**

A

Correct definition: 'A budget that details all the projects in which non-current asset transactions will occur during the budget period'

#### **QUESTION 13**

A

Sales price:  $(87.5 / 25,000) \times 1.1 = 3,850$

Sales budget:  $3,850 \times 24,000 = 92.4 \text{ m}$

#### **QUESTION 14**

B

Correct amount:  $(10 \times 0.5) + (18 * 0.5) = 14$

**QUESTION 15**

D

Correct budget: Selling and distribution overheads budget

**QUESTION 16**

C

Correct net profit:  $190 - (41 + 38 + 18 + 20) = 73$

**QUESTION 17**

D

Correct number of units:

Quality staff time available =  $((4 \times 36) + (1 \times 18)) \times 50 = 8,100$

Maximum units =  $8,100 / 2 = 4,050$

**QUESTION 18**

A

Correct contribution:  $(4,800 - 3,000) / 6 = 300$

**QUESTION 19**

B

Correct statement: 'Production per member of staff has increased by 10%'

20X5:  $180,000/90 = 2,000$  units per employee

20X6:  $176,000/80 = 2,200$  units per employee

Increase =  $(2,200 - 2,000) / 2,000 = 10\%$

**QUESTION 20**

D

ROCE =  $1,100/12,000 \times 100\% = 9.2\%$

**QUESTION 21**

B

Correct factor: 'Pilferage of materials by staff'

**QUESTION 22**

B

Correct ROCE:  $600/6,000 \times 100\% = 10\%$

**QUESTION 23**

B

Correct statement: 'Management accounting activities, such as forecasting, can be supported by using inputs from other functions or specialisms'

**QUESTION 24**

A

Correct life cycle net cost:

$35,000 + (15,000 \times 10) + 5,000 - 6,000 = 184,000$

**QUESTION 25**

C

Correct statement: 'Cost reduction programmes may encounter resistance from employees'

**QUESTION 26**

B

Correct budget:

Insurance: FRW 20 million

Labour:  $5,000 * 2,000 \text{ units} = \text{FRW}10 \text{ million}$ 

Total: FRW 30 million

**QUESTION 27**

D

Correct variance:

Variance = BFO – AFO =  $18 - 18.6 = 0.6$  unfavourable**QUESTION 28**

A

Correct cost:

 $13 + 9.5 + (2 * 0.8) + (3 * 1.5) = 28.6$ **QUESTION 29**

B

Correct cost per kilometre:  $(200 + 550 + 150) / 120 = 7.5$ **QUESTION 30**

C

Correct cost:

Profit required  $520,000 \times 10\% = 52,000$ Target cost  $520,000 - 52,000 = 468,000$ **QUESTION 31**

B

Inspection costs 1.9

Lost contribution  $2,200 * (13,500 - 5,000)$  18.7Total quality cost 20.6**QUESTION 32**

C

Correct option:

Invest in Project Faser

Invest in Project Ridley

**QUESTION 33**

B

Correct technique: Activity-based costing

**QUESTION 34**

B

Correct example: Preparation of a tender bid

**QUESTION 35****A**

Correct figures:

Budgeted purchases	FRW 57,000
Actual purchases	FRW 59,000
Variance	FRW 2,000 unfavourable

**QUESTION 36****C**Correct relevant cost:  $800 + 250 = 1,050$ **QUESTION 37****C**

Correct action: 'Retain Factory Z, as it is making a contribution to central fixed costs'

**QUESTION 38****B**

Correct statement: 'If conditions are not stable then we cannot assume that the underlying trend is going to continue'

**QUESTION 39****C**

Year	Net cash flow	PV factor	PV
0	(90)	1.000	(90.0)
1	51	0.926	47.2
2	57	0.857	<u>48.8</u>
NPV			+6.0

**QUESTION 40****D**Correct cost per participant:  $(190 + 210 + 205 + 232) / (760 + 780 + 720 + 810) = 272,638$ **QUESTION 41****D**

Correct statement: 'Hoosh should not go ahead with Project E as the discounted payback period is more than 3 years'

Discounted cash inflow after Year 3 is only FRW91.9 million, so discounted payback greater than 3 years

**QUESTION 42****A**

20X4	$500,000 * 1,400 = 700,000,000$
20X5 rate	$600,000 * 1,500 = 900,000,000$
Increase	$(900 - 700) / 700 = 28.6\%$

**QUESTION 43****A**

Correct statement: 'The moving averages technique is a method of establishing the underlying trend in a set of data across a period of time'

**QUESTION 44****B**

Correct statement: 'Performance reports should be understandable by both financial and non-financial recipients'

**QUESTION 45****C**

Correct conclusion: 'The increase in sales volume indicates that the higher salaries paid by Kiki are effective and worthwhile'

**QUESTION 46****D**

Correct statement: 'Management need to be confident that the information they receive from an accounting system is reliable, up-to-date, accurate, and compliant with any applicable regulations'

**QUESTION 47****D**

Correct statement 'Using an entity's assets for personal use may be an example of fraudulent activity'

**QUESTION 48****B**

Correct statement: 'Management should review internal controls on a regular basis'

**QUESTION 49****A**

Correct term: Incremental change

**QUESTION 50****B**

Correct steps:

1. Analyse the system and identify areas of weakness
2. Prepare a plan for making the change
3. Make the change
4. Monitor the effectiveness of the change

**END OF MARKING GUIDE AND MODEL ANSWERS**