
**CERTIFIED PUBLIC ACCOUNTANT
TECHNICAL LEVEL EXAMINATION
MA1.2 MANAGEMENT ACCOUNTING
DATE: WEDNESDAY, 25 FEBRUARY 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

Which one of the following is a definition of a fixed cost?

- A A cost that changes with increases with each additional unit of production
- B A cost that decreases as production increases
- C A cost that is always a set proportion of total costs
- D A cost that does not change with changes in the level of production

(2 Marks)

QUESTION 2

The following information is taken from the costing system of Carl Company during the month of December: for the product PP

	FRW million
Variable materials costs	3,500
Variable labour costs	6,500
Fixed labour costs	3,800
Fixed overheads	<u>10,200</u>
Total cost	<u>24,000</u>

Total production of PP during the month was 2,000 units. One unit of PP is sold at a price of FRW 15 million.

What is the total contribution for Product PP during December?

- A FRW 15,000 million
- B FRW 16,200 million
- C FRW 30,000 million
- D FRW 20,000 million

(2 Marks)

QUESTION 3

The following information is taken from the activity of Thumi in the month of February 2016:

	FRW million
Direct materials	120
Direct wages	160
Production overheads	40
Administration costs	20
Selling and distribution costs	<u>60</u>
Full cost	<u>400</u>

What is the prime cost for February 2016?

- A FRW 120 million
- B FRW 280 million
- C FRW 160 million
- D FRW 340 million

(2 Marks)

QUESTION 4

Which one of the following statements is true?

- A 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
- B A budget is usually set for a period of up to one month, whereas an operational plan will usually cover a period of 3 to 5 years
- C A budget is usually set for a period of 3 to 5 years, whereas a tactical plan will usually cover a period of 5 to 10 years
- D A budget is usually set for a period of up to one week, whereas a strategic plan will usually cover a period 12 to 18 months

(2 Marks)

QUESTION 5

On 1 January 2025, Di Company had opening inventory for Product Z of 5,600 units. The company's budget for the year to 31 December 2025 includes production of 46,000 units of Product Z, and a closing inventory of 4,300 units.

What are the budgeted sales of Product Z in 2025?

- A FRW 44,700 units
- B FRW 47,300 units
- C FRW 46,300 units
- D FRW 46,000 units

(2 Marks)

QUESTION 6

Which one of the following actions is appropriate if there is an unfavourable variance reported for a non-controllable budget line?

- A The budget manager should be asked to provide the reasons for the variance
- B The budget manager should be punished for failing to keep within the budget
- C The budget manager should not be held accountable for the variance
- D The budget manager should be asked to ensure that there is a favourable variance elsewhere in the budget to compensate

(2 Marks)

QUESTION 7

A public sector organisation uses incremental budgeting to prepare its annual budget.

The budget for 2015 included the following items:

	FRW million
Staff costs	420,000
Premises costs	290,000
Transport costs	110,000
Administration costs	<u>75,000</u>
Total costs	<u>895,000</u>

Annual inflation to be applied to the budget is 4% for staff costs, 5% for premises costs, 4% for transport costs, and 2.5% for administration costs.

What is the total costs budget for the public sector organisation for 2016?

- A FRW 929,675 million
- B FRW 932,575 million
- C FRW 935,850 million
- D FRW 937,820 million

(2 Marks)

QUESTION 8

Company X operates a factory that is capable of producing up to 10,000 units per month while operating two machines. If demand exceeds 10,000 units, Company X can increase its capacity to 15,000 by hiring an additional machine.

Which one of the following describes the cost behaviour of hiring the machines?

- A Fixed cost
- B Variable cost
- C Semi-variable cost
- D Semi-fixed cost

(2 Marks)

QUESTION 9

Staed Company has forecast that production in 2017 will be 120,000 units, and will require materials costing FRW 480 million. Each unit requires 4kg of materials, and each kg of material has a standard cost of FRW 1,000. The actual materials expenditure in the first quarter of 2017 was FRW 130 million, and the actual production was 32,000 units.

What is the standard cost for materials to be compared to the actual costs in the first quarter of 2017?

- A FRW 128 million
- B FRW 122 million
- C FRW 120 million
- D FRW 130 million

(2 Marks)

QUESTION 10

Merkat Company has carried out some research into the pattern of sales across a period. In this research, Merkat has utilised a non-random sampling method that involves selecting one definable subsection of the population as the sample, and that subsection is taken to be representative of the population in question.

Which one of the following sampling methods was used by Merkat?

- A Quota sampling
- B Cluster sampling

- C Multistage sampling
- D Stratified random sampling

(2 Marks)

QUESTION 11

Which one of the following is a definition of a hierarchical coding system?

- A 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
- B Numbers are given to items in ordinary numerical sequence, so that there is no obvious connection between an item and its code
- C Codes incorporate some digits that are part of the description of the item being coded
- D A system that uses alphabetical characters only

(2 Marks)

QUESTION 12

Which one of the following is a definition of a capital budget?

- A A budget that details all the projects in which non-current asset transactions will occur during the budget period
- B A budget that is prepared at the actual activity level that was achieved in the period, in order to show what the standard costs should have been at that activity level
- C A budget that can be analysed into subsidiary budgets that detail responsibility for generating sales and controlling costs
- D A detailed budget of cash inflows and outflows incorporating both revenue and other items

(2 Marks)

QUESTION 13

Marcim Company recorded the following sales in 2016:

Product A 25,000 units FRW 87.5 million

Marcim are increasing the price for Product A for 2017 by 10%, and sales of Product A are forecast to be 24,000 units.

What is Marcim's sales budget for Product A for 2017?

- A FRW 92.4 million
- B FRW 96.25 million
- C FRW 91.9 million
- D FRW 88.4 million

(2 Marks)

QUESTION 14

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

	FRW million
June	12
July	10
August	18

Isa has estimated that 50% of sales are paid in cash during the month of the sale, and the cash for the remaining 50% of sales is received in the month following the sale.

What amount should be included in Isa's Cash Budget for the month of August 2017?

- A FRW 10 million
- B FRW 14 million
- C FRW 12 million
- D FRW 18 million

(2 Marks)

QUESTION 15

Which one of the following budgets includes the budgeted costs of carriage outwards, packing, and dispatch?

- A Direct costs budget
- B Production overheads budget
- C Administrative overheads budget
- D Selling and distribution overheads budget

(2 Marks)

QUESTION 16

Company K has a budgeted gross profit of FRW 190 million for 2016. The following budgeted costs for 2016 have also been determined:

	FRW million
Repayment of long-term loans	60
Variable selling and distribution overhead	41
Administration overhead	38
Fixed production overhead	18
Purchase of non-current assets	40
Fixed selling and distribution overhead	20

What is Company K's budgeted net profit for 2016?

- A FRW 13 million
- B FRW 93 million
- C FRW 73 million
- D FRW 53 million

(2 Marks)

QUESTION 17

Griss Company manufactures Product S, which requires 2 hours of quality control time per unit. The company have 4 full-time quality control staff, working 36 hours per week, and 1 part-time quality control employee working 18 hours per week. Demand for the Product S is forecast to be 5,000 units in 2017. Griss operates its production over 50 weeks of the year.

What is the maximum number of units of Product S that Griss can produce in 2017?

- A 5,000
- B 8,100
- C 7,200
- D 4,050

(2 Marks)

QUESTION 18

Maree Company manufactures Product B. The following information is available for Product B:

Materials per unit	6 litres
Variable cost per unit	FRW 3,000
Selling price per unit	FRW 4,800
Fixed overheads per unit	FRW 600

Materials have been identified as a limiting factor in production for the next period.

What is the contribution per litre of limiting factor for Product B?

- A FRW 300 per litre
- B FRW 600 per litre
- C FRW 400 per litre
- D FRW 200 per litre

(2 Marks)

QUESTION 19

Company Y has identified the following performance information

	2015	2016
Number of staff	90	80
Production (units)	180,000	176,000

Which of the following statements is correct?

- A Production per member of staff has decreased by 2.2%
- B Production per member of staff has increased by 10%
- C Production per member of staff has decreased by 10%
- D Production per member of staff has increased by 2.2%

(2 Marks)

QUESTION 20

The financial systems of Ebin Company for 2016 included the following information:

	FRW million
Gross profit	3,400
Total assets	15,000
Current liabilities	2,100
Capital employed	12,000
Operating profit	1,100

What is the return on capital employed (ROCE) for Ebin Company for 2016?

- A 28.3%
- B 22.7%
- C 11.1%
- D 9.2%

(2 Marks)

QUESTION 21

Firework company has recorded unfavourable material usage variances over the past three months. **Which of the following factors might have contributed to these results?**

- A Paying higher rates for the materials
- B Pilferage of materials by staff
- C Paying higher wage rates to production staff
- D Reducing the price of finished products

(2 Marks)

QUESTION 22

The following information has been extracted from the financial records of Tramp Company for the year to 31 December 2016:

	FRW million
Total assets	9,000
Capital employed	6,000
Gross profit	850
Operating profit	600

What is the return on capital employed (ROCE) for Tramp Company for 2016?

- A 14.2%
- B 10%
- C 9.4%
- D 6.7%

(2 Marks)

QUESTION 23

Larger organisations will often have a range of professionals who have different specialisms

Which one of the following statements is true about the role of management accounting?

- A All management accounting activities can be carried out entirely by accounting specialists, without using inputs from other functions or specialisms
- B Management accounting activities, such as forecasting, can be supported by using inputs from other functions or specialisms
- C Management accountant specialists need to protect their responsibilities from interference by other professionals
- D Management accounting activities may benefit from support from external specialists, but not specialists that are internal to the organisations

(2 Marks)

QUESTION 24

A manufacturing company has purchased machinery for its factory. The following cost information has been identified

Purchase price:	FRW 35,000 million
Annual running costs years 1 to 10:	FRW 15,000 million per year
Servicing cost in year 5:	FRW 5,000 million
Sale proceeds at end of year 10:	FRW 6,000 million

What is the life cycle net cost of the machinery, ignoring the time value of money?

- A FRW 184,000 million net cost
- B FRW 194,000 million net cost
- C FRW 49,000 million net cost
- D FRW 61,000 million net cost

(2 Marks)

QUESTION 25

Which one of the following statements refers to a common difficulty in the implementation of a cost reduction programme?

- A Cost reduction programmes only work in response to a crisis
- B Cost reduction programmes cannot take account of inflation
- C Cost reduction programmes may encounter resistance from employees
- D Cost reduction programmes cost more to implement than they save in reduced expenditure

(2 Marks)

QUESTION 26

Gallis Company produces Product Minn, and has identified the following information during preparation of its budget for 2017:

- Insurance costs are semi-fixed costs, and are budgeted at FRW 15 million for production up to 1,499 units per year, and at FRW 20 million for production from 1,500 to 2,500 units of Minn
- Labour costs are variable, at FRW 5,000 per unit of Minn

What is the total budget for insurance and labour costs if 2,000 units of Minn are budgeted?

- A FRW 25 million
- B FRW 30 million
- C FRW 20 million
- D FRW 15 million

(2 Marks)

QUESTION 27

Bilo Company's budget for November includes a fixed overheads budget of FRW 18 million, and budgeted production of 1 million units. During November, 1.2 million units were produced, and fixed overheads were FRW 18.6 million for the month.

What is Bilo's fixed overheads expenditure variance for November?

- A FRW 0.6 million favourable
- B FRW 3.0 million unfavourable
- C FRW 3.0 million favourable
- D FRW 0.6 million unfavourable

(2Marks)

QUESTION 28

Company J manufactures Product Nad. Each unit of Nad requires direct materials of FRW 13 million and direct labour of FRW 9.5 million. The manufacturing process involves two processes: 2 hours of Process 1, and 3 hours of Process 2 per unit of Nad.

Company J have determined the following overhead absorption rates:

Process 1	FRW 0.8 million per labour hour
Process 2	FRW 1.5 million per labour hour

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

- A FRW 28.6 million
- B FRW 24.8 million
- C FRW 19.6 million
- D FRW 25.6 million

(2Marks)

QUESTION 29

The following information has been extracted from the 2016 annual report of a small local authority:

	FRW million
Expenditure on roads service:	
Direct labour	200,000
Direct materials	550,000
Overheads	150,000
Road network: 120,000 kilometres	
Staffing: 4,150 full time equivalent staff	

What is the cost per kilometre of the roads service for 2016?

- A FRW 13.3 million
- B FRW 7.5 million
- C FRW 217 million
- D FRW 6.25 million

(2Marks)

QUESTION 30

Iggy Company operates a target profit margin of 10%. The company is looking to determine the target cost for Product H. The price of Product H has been set at FRW 520,000

What is the target cost of Product H?

- A FRW 572,000
- B FRW 52,000
- C FRW 468,000
- D FRW 260,000

(2 Marks)

QUESTION 31

Oog Company uses an inspection team to control the quality of product MCB. During November, the inspection team incurred costs of FRW 1.9 million. MCB is sold at a price of FRW 13,500 per unit. 2,200 units of MCB were identified as being of substandard quality in November. The substandard units are expected to be sold at a reduced price of FRW 5,000 each.

What is Oog's total cost of quality in November?

- A FRW 18.7 million
- B FRW 20.6 million
- C FRW 29.7 million
- D FRW 31.6 million

(2 Marks)

QUESTION 32

Turny Company uses a cost of capital of 12% to assess potential investment projects. Turny has identified two new projects, Project Faser has a projected return of 13% and Project Ridley has a projected return of 20%. The Finance Director has indicated that there are sufficient funds to invest in either or both of these projects.

Which one of the following options should Turny take in relation to the potential projects?

A	<ul style="list-style-type: none">Do not invest in Project FaserDo not invest in Project Ridley
B	<ul style="list-style-type: none">Do not invest in Project FaserInvest in Project Ridley
C	<ul style="list-style-type: none">Invest in Project FaserInvest in Project Ridley
D	<ul style="list-style-type: none">Invest in Project FaserDo not invest in Project Ridley

(2 Marks)

QUESTION 33

Which one of the following techniques involves identifying the costs of the main support activities and the factors that drive the costs of each activity?

- A Absorption costing
- B Activity-based costing
- C Active cost analysis
- D Marginal costing

(2 Marks)

QUESTION 34

Some organisational processes will have regular reports for example daily, monthly, annual as part of the relevant system. Other organisational activities happen on a less regular basis and therefore require individual reports that are designed for the specific situation, decision or event.

Which one of the following is an example of a situation that would require a specific report, rather than being part of routine and regular reporting systems in an organisation?

- A Budget monitoring
- B Preparation of a tender bid
- C Inventory control
- D Payment of suppliers

(2 Marks)

QUESTION 35

Which of the following budgeted and actual figures would be reported as an unfavourable variance?

A	• Budgeted purchases	FRW 57,000
	• Actual purchases	FRW 59,000
B	• Budgeted revenue	FRW 98,000
	• Actual revenue	FRW 100,000
C	• Budgeted depreciation	FRW 125,000
	• Actual depreciation	FRW 123,000
D	• Budgeted interest received	FRW 57,000
	• Actual interest received	FRW 57,000

(2 Marks)

QUESTION 36

On 1 January 2016, Lamrig Company is considering an investment in a new factory, and the following costs have been identified:

	FRW million
Purchase of land (acquired 2014)	250,000
Staffing (using existing staff)	1,500
Construction of building (estimated)	800,000
Purchase of machinery (estimated)	250,000

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. No additional staff will need to be employed as a result of the work. No other commitments have been made to incur costs on construction or machinery. 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 relevant cost of the investment that management need to take into account in making their decision whether to proceed with the investment?

- A FRW 1,301,500 million
- B FRW 1,300,000 million
- C FRW 1,050,000 million
- D FRW 1,051,500 million

(2 Marks)

QUESTION 37

Elley Company has four factories, and the company made an overall profit of FRW 100 million in 2016. Analysis of the individual factories showed the following results for 2016:

Factory W	FRW 50 million profit
Factory X	FRW 30 million profit
Factory Y	FRW 50 million profit
Factory Z	FRW 30 million loss

As Factory Z has made a loss, the company are considering its closure. If Factory Z is closed, there are FRW 40 million of central charges that will need to be redistributed to Factories W, X and Y.

Which one of the following courses of action would be appropriate for Elley Company to take?

- A Revise the central recharge system so that Factory Z can be shown to be making a profit
- B Close Factory Z as it is making a loss of FRW 30 million
- C Retain Factory Z, as it is making a contribution to central fixed costs
- D Cease charging factories for central costs as these are not relevant costs

(2 Marks)

QUESTION 38

Which one of the following statements regarding the technique of time series analysis is true?

- A Time series can be used even when conditions are unstable
- B If conditions are not stable, then we cannot assume that the underlying trend is going to continue
- C Seasonal trends in time series analysis are usually the same as cyclical trends
- D Time series analysis can identify trends within a year, but not trends across years

(2 Marks)

QUESTION 39

An investment project is in the process of being appraised, and the following information is available:

Year	FRW million	PV factor (8%)
	Net cash flow	
0	(90)	1.000
1	+51	0.926
2	+57	0.857

What is the net present value of the project at the end of Year 2?

- A (6.0)
- B +18.0
- C +6.0
- D +12.0

(2 Marks)

QUESTION 40

Puller Company provide training services to local businesses, and have a target cost per participant of FRW 250,000 for performance measurement purposes. During 2016, they recorded the following information on the courses provided:

Quarter	Course Participants	Course costs (FRW million)
1	760	190
2	780	210
3	720	205
4	810	232

What was the average cost per participant in 2016?

- A FRW 250,000
- B FRW 280,000
- C FRW 366,786
- D FRW 272,638

(2 Marks)

QUESTION 41

Hoosh Company have a policy that requires potential investments to show a discounted payback period of 3 years or less, using a cost of capital of 10%. Hoosh have prepared the following forecast cash inflows for Project E, which requires an investment of FRW 100 million in Year 0. (figures in FRW million):

Year	Cash flow	Discounted cash flow
1	40	36.4
2	40	33.0
3	30	22.5
4	20	13.7

Which one of the following statements is true?

- A Hoosh should not go ahead with Project E as the discounted payback period is less than 3 years
- B Hoosh should go ahead with Project E as the discounted payback period is less than 4 years
- C Hoosh should go ahead with Project E as the cash flows after 3 years total FRW 110 million, which is greater than the investment of FRW 100 million
- D Hoosh should not go ahead with Project E as the discounted payback period is more than 3 years

(2 Marks)

QUESTION 42

Vogic Company made sales of \$500,000 in 2014 and \$600,000 in 2015. The exchange rates were as follows:

2014 \$1 = FRW 1,400

2015 \$1 = FRW 1,500

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

What is the increase in sales from 2014 to 2015 after adjusting for exchange rate differences?

- A 28.6%
- B 16.7%
- C 22.2%
- D 18.7%

(2 Marks)

QUESTION 43

Which one of the following statements is correct?

- A The moving averages technique is a method of establishing the underlying trend in a set of data across a period of time
- B The indexing technique is a method of establishing the underlying trend in a set of data across different parts of an organisation
- C The sampling technique is a method of establishing the underlying trend in a set of data at a point in time
- D The correlation technique is a method of establishing the underlying trend in a set of data across a period of time

(2 Marks)

QUESTION 44

Which one of the following statements is correct?

- A Performance reports do not usually have a specific recipient or use
- B Performance reports should be understandable by both financial and non-financial recipients
- C Performance reports should provide all available background information in detail, to ensure that all potentially relevant issues are explained in detail
- D Performance reports should provide management with a list of options, but should not indicate which is the preferred option

(2 Marks)

QUESTION 45

Kiki Company assesses its performance by comparing results with national averages, where these are available. During July 2017, Kiki's average salary paid to sales staff was 10% more than the national average for sales staff. In the same month, Kiki's sales volume increased by 50% compared with June 2017.

Which of the following is a valid conclusion for Kiki's management to draw from these results?

- A Kiki should reduce salaries paid to sales staff to the national average
- B The sales volume increase of 50% is a different amount compared to the 10% extra paid in salaries, so the two factors cannot be related to each other
- C The increase in sales volume indicates that the higher salaries paid by Kiki are effective and worthwhile
- D There is a negative correlation between the higher salaries and the increase in sales volume

(2Marks)

QUESTION 46

Which of the following statements is correct?

- A Management can be confident that the information they receive from an accounting system is reliable, as it is produced by a computer
- B Management can be confident that the information they receive from an accounting system will be corrected by external auditors if there are errors
- C Management should 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 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

(2 Marks)

QUESTION 47

Which one of the following statements is correct?

- A Fraudulent financial reporting may be accomplished by optimistic estimate of an asset's useful life
- B Incidents of fraud are always accidental
- C The use of manual systems can eliminate fraud from the organisation
- D Using an entity's assets for personal use may be an example of fraudulent activity

(2 Marks)

QUESTION 48

Which one of the following statements is correct?

- A Internal controls are built into accounting systems by the IT provider and cannot be amended to suit the organisation's needs
- B Management should review internal controls on a regular basis
- C Internal controls are not designed to reduce the likelihood of fraud
- D The review of internal controls is the responsibility of auditors

(2 Marks)

QUESTION 49

Improv Company has six divisions and has made changes to its accounting system over 18 months. Every three months during this period, one division has been moved from the old system to the new system. In the current month, the last division, F Division, was added to the new system.

Which one of the following terms describes the type of change involved in the addition of F Division?

- A Incremental change
- B Transformational change
- C Restricted change
- D Slow change

(2 Marks)

QUESTION 50

Which one of the following sets out 4 of the steps, in the correct order, that are typically involved in making change to an accounting system?

- 1. Arrange approval for the change from auditors
- 2. Make the change
- 3. Estimate the cost of the change
- A 4. Monitor the effectiveness of the change
- 1. Analyse the system and identify areas of weakness
- 2. Prepare a plan for making the change
- 3. Make the change
- B 4. Monitor the effectiveness of the change
- 1. Analyse the system and identify areas of strength
- 2. Prepare a plan for making the change
- 3. Pay the suppliers
- C 4. Include any savings in the statement of profit or loss
- 1. Analyse the system and compare it to competitors' systems
- 2. Set up a separate bank account for the cost of the changes
- 3. Engage external auditors to oversee the change
- D 4. Report to government on the results of the change

(2 Marks)

(Total: 100 Marks)

End of question paper

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