
**CERTIFIED ACCOUNTING TECHNICIAN
STAGE 3 EXAMINATIONS**

S3.2: MANAGEMENT ACCOUNTING

DATE: THURSDAY 26, FEBRUARY 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

When preparing a materials purchase budget, **what is the quantity to be purchased?**

- A Opening inventory of materials – materials required for production – closing inventory of materials
- B Materials required for production – opening inventory of materials + closing inventory of materials
- C Opening inventory of materials + closing inventory of materials – materials required for production
- D Materials required for production – opening inventory of materials – closing inventory of materials

(2 Marks)

QUESTION TWO

A doctor in a hospital is tasked with taking measurement of the height of patients before other tests are carried out.

What sort of data is being collected by the doctor?

- A Qualitative discrete data
- B Quantitative discrete data
- C Qualitative continuous data
- D Quantitative continuous data

(2 Marks)

QUESTION THREE

Virunga Ltd is a large company that operates in the Northan Province with its headquarters in Kigali. The company has several different types of responsibility centre as follows:

- i) Cost centres
- ii) Revenue centres
- iii) Profit centres
- iv) Investment centres

For which of the above responsibility centres would return on capital employed be an appropriate performance measure?

- A (i) only
- B (ii) and (iv)
- C (i) and (iii)
- D (iv) only

(2 Marks)

QUESTION FOUR

Which one of the following is a principle of Total Quality Management?

- A Getting it right first time
- B Decisions made by executives only
- C Product centered system
- D Discrete improvement

(2 Marks)

QUESTION FIVE

Under value for money concept, **which one of the following statements explains efficiency?**

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

(2 Marks)

QUESTION SIX

An accountancy firm has asset turnover of 1.2 in the month of June and the capital of the firm totals FRW 350 million. Current assets are FRW 25 million.

What is the revenue for the month?

- A FRW 292 million
- B FRW 420 million
- C FRW 30 million
- D FRW 21 million

(2 Marks)

QUESTION SEVEN

Which of the following statements is not true?

- A Variances from ideal standards are useful for pinpointing areas where a close examination might result in large cost savings.
- B Basic standards may provide an incentive to greater efficiency even though the standard cannot be achieved.
- C Ideal standards cannot be achieved and so there will always be adverse variances. If the standards are used for budgeting, an allowance will have to be included for these inefficiencies.
- D Current standards or attainable standards are a better basis for budgeting, because they represent the level of productivity which management will wish to plan for.

(2 Marks)

QUESTION EIGHT

Which one of the following is not a function of a budget committee?

- A Co-ordination of the preparation of budgets, which includes the issue of the budget manual
- B Issuing of timetables for the preparation of functional budgets
- C Allocation of responsibilities for the preparation of functional budgets
- D Preparation of sales budget

(2 Marks)

QUESTION NINE

Which of the following is unlikely to be contained in the budget manual?

- A Organizational structures
- B Objectives of the budgetary process
- C Selling overhead budget
- D Administrative details of budget preparation

(2 Marks)

QUESTION 10

Which one of the following statements best explains a budget?

- A Series of figures and values recorded over a period of time
- B A numerical plan for a business covering a future period
- C Planned unit cost of a product or service
- D A unit of a product or service that consumes resources

(2 Marks)

SECTION B

QUESTION 11

a) SWOT Analysis is a useful tool for analysing the control system, as part of the risk assessment process. SWOT is an acronym that stands for strengths, weaknesses, opportunities and threats.

Required:

Using the SWOT model, **analyse the internal and external factors that affect a business's performance, providing one example for each category.** (4 Marks)

b) **Explain any THREE points to be considered when analysing the type of change required for an organization.** (6 Marks)

(Total: 10 Marks)

QUESTION 12

a) Sampling is a technique that is used to collect data from only a fraction of the population. Researchers can use either probability or non-probability sampling methods.

Required:

Explain the difference between probability and non-probability sampling (2 Marks)

b) The following data relates to Kayange Ltd for the six months ended 31st December, 2025.

Period	Output (Units)	Total Cost (FRW)
July	1,200	12,800
August	900	11,200
September	1,000	12,100
October	800	10,800
November	1,400	13,700
December	700	8,200

Required:

Using regression analysis

i) **Calculate the variable cost per unit** (4 Marks)

ii) **Calculate the fixed cost per month** (2 Marks)

iii) **Formulate the total cost function** (1 Mark)

iv) **Estimate the total cost of producing 960 units** (1 Mark)

(Total: 10 Marks)

SECTION C

QUESTION 13

a) Nyagatare Distillers Limited (NDL) produces three types of soft drinks X, Y and Z. All the three types of drinks are processed from similar raw materials. Over the years, the company has been using the traditional method of apportioning overheads using labour hours. You have recently been appointed as the management accountant and your first task allocated to you is to introduce Activity Based Costing as a new costing technique to NDL. The outgoing accountant has provided you with the following data for the last year ended 31st December, 2025:

Details	X	Y	Z
Selling price per unit (FRW)	24,000	18,000	20,000
Material kgs per unit	16	12	10
Labour hours per unit	4	3	2
Machine hours per annum	25,000	60,000	70,000
Number of set ups per annum	15	25	20
Number of deliveries per year	92	48	60
Number of purchase orders per annum	40	26	14
Production units per annum	25,000	40,000	35,000

The price of raw materials is FRW 800 per kg and the labour is paid at FRW 2,000 per hour.
The annual overhead costs are FRW 860,000,000.

The apportionment of the activities is as presented below:

Details	% of Overheads
Delivery Costs	10%
Procurement Costs	20%
Machine Setup Costs	30%
Machine Running Costs	40%

Required:

- i) Calculate the cost per unit of each product using the traditional method of apportioning overheads using labour hours (6 Marks)
- ii) Calculate the cost per unit of each product using Activity Based Costing (ABC) (8 Marks)

b) Cost control is normally concerned with regulating the costs of operating a business and keeping costs within acceptable limits while cost reduction are planned and positive approaches to reducing expenditure.

Required:

Explain three difficulties that are faced with organizations when introducing cost reduction programs (6 Marks)
(Total: 20 Marks)

QUESTION 14

a) Mulindi Ltd is a company that produces a product called Able. The selling price per unit of product able is FRW 110,000 per unit. The variable cost of producing Able inhouse is FRW 40,000 per unit. Fixed cost attributable to production is FRW 22,000,000 per month. Mulindi Ltd produces and sells 2,000 units of Able per month. The quantity produced and sold is expected to drop in the future without affecting cost estimates. Mulindi Ltd has been approached by a sub-contractor who can produce Able at a cost of FRW 50,000 per unit. The management team of Mulindi estimates that by sub-contracting, there will be savings on fixed cost of FRW 6,000,000 per month.

Required:

Should Mulindi Ltd produce the product Able inhouse or sub- contract the production of the product? (6Marks)

b) Chez Ltd produces the best quality of paint in Rwanda. The paints are sold as soon as they are produced and therefore there is no closing inventory in stock at any given point in time. In order to effectively measure the performance of the business, Chez Ltd has tasked you to analyse the actual performance of the business in comparison to the budget.

The following budgeted information has been provided for the month of December, 2025

Details		FRW per unit
Direct Materials	4 litres at FRW 300 per litre	1,200
Direct Labour	0.5 hours at FRW 1,600 per hour	800
Sales Price		2,800

The budgeted production and sales units for the month of December, 2025 was 26,000 units.

The actual results for the month of December, 2025 are as provided below:

Sales Value		FRW 84,600,000
Materials	126,900 litres	FRW 28,000,000
Labour	14,000 hours	FRW 25,200,000

The actual production and sales units for the month of December 2025 were is 28,200 units

Required:

Calculate the following variances and interpret whether adverse or favourable

- i) **Sales Price Variance** (2 Marks)
- ii) **Labour Rate Variance** (2 Marks)
- iii) **Labour Efficiency Variance** (2 Marks)
- iv) **Material Usage Variance** (2 Marks)
- v) **Material Price Variance** (2 Marks)

c) Explain the difference between the following types of standards

- i) **Basic and Current Standard** (2 Marks)
- ii) **Ideal and Attainable Standards** (2 Marks)

(Total: 20 Marks)

QUESTION 15

a) Explain four ways of classification of costs by their function

(8 Marks)

b) Kinyinya Ltd operates a standard marginal costing system. Information relating to one of the products that is produced by the company for the month of November, 2025 is provided in the table below.

Details		Budgeted marginal cost per unit (FRW)
Direct materials	7kgs at FRW 600 per kg	4,200
Direct labour	2 hour at FRW 1,200 per hr	2,400
Variable production overheads		1,000
Total		7,600

Additional information:

- 1) Budgeted fixed production overheads amount to FRW 8,200,000
- 2) Variable production overheads vary with the units produced
- 3) The budgeted selling price per unit is FRW 10,200
- 4) The budgeted production per month for the product was 16,000 units
- 5) The actual results for the month of November are provided in the table below:

Details		FRW
Direct materials	116,200 kgs	81,340,000
Direct labour	50,400 hours	55,440,000
Variable production overheads		17,200,000
Fixed production overheads		7,800,000
Actual selling price		9,800

Actual production was 16,800 units

Required:

Prepare a control statement that shows the following

i) Fixed Budget

(6 Marks)

ii) Flexible budget

(6 Marks)

(Total: 20 Marks)

End of question paper