

**Cost and Computerized  
Accounting**

**T023**

**Friday, 01/11/2013  
8: 30 – 11: 30 AM**

WORKFORCE DEVELOPMENT AUTHORITY



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**ADVANCED LEVEL NATIONAL EXAMINATION, 2013,  
TECHNICAL AND PROFESSIONAL TRADES**

**EXAM TITLE: Cost and Computerized Accounting**

**OPTIONS:** - Accountancy (ACC)  
- Computer Science and Management (CSM)

**DURATION: 3hours**

**INSTRUCTIONS:**

This paper contains **two** sections:

**Section I:** Fourteen (14) questions, all **compulsory:** **55marks**

**Section II:** Five (5) questions; **choose any three (3).** **45marks**

**Section I: Attempt all the 14 questions. 55marks**

01. a) Distinguish between a cost and an expense. **2marks**  
 b) Mention any two uses of cost accounting to management. **2marks**
02. Briefly explain the difference between cost accounting and financial accounting. **4marks**
03. a) Give 2 limitations or criticisms of cost accounting? **2marks**  
 b) What is the difference between cost ascertainment and cost control. **2marks**
04. Explain what you understand by a cost unit, giving at least two suitable examples. **3marks**
05. Distinguish between production cost and prime cost. **4marks**
06. What is the difference between historical costing and standard costing? **4marks**
07. State the major difficulty of using the total absorption costing approach and explain how this difficulty is avoided by the marginal costing approach. **4marks**
08. Briefly explain the meaning of the following terms as used in cost accounting:  
 a) contribution **2marks**  
 b) break-even point **2marks**  
 c) margin of safety **2marks**
09. What is a profit-volume ratio? Suggest two ways that management can use to increase the profit-volume ratio. **4marks**
10. Explain what you understand by a perpetual inventory and state two ways in which it can be useful to an enterprise. **3marks**
11. A company uses a standard costing system. The standard labour cost per unit is 4 hours at RWF 72 per hour. 2500 units were produced. 9700 hours were worked at a cost of RWF 720800. Calculate the labour rate variance and the labour efficiency variance. **4marks**

12. The following table shows the budget information for a business.

Sales and production	20 000 units
Sales	4 000 000
Variable costs	2 800 000
Fixed costs	500 000

Actual production and sales were 14 000 units.

Calculate the profit using a fixed budget. **4marks**

13. Explain the following terms as used in cost accounting :  
 a) allowance for idle time  
 b) a favourable labour variance  
 c) a flexible budget  
 d) over-recovery of overheads **4marks**
14. A company's monthly budgeted sales were RWF 1,000,000, based on a selling price of RWF 500 per unit and a unit cost of RWF 250. In Month 3, 2100 units were sold for RWF 1,000,800. What was the sales price variance for the month? **3marks**

**SECTION II: Choose and Answer any Three (3) questions 45marks**

15. Discuss at least five major limitations of financial accounting that are overcome by cost accounting. **15marks**
16. A company is organized into 3 profit centres. The results for the year 2012 were as follows, in RWF 000s:

	Profit centre		
	A	B	C
Direct materials	13000	7000	8000
Direct labour	23000	13000	9000
Variable overheads	3500	2500	4000
Fixed overheads	14000	18000	9000
	<b>53500</b>	<b>40500</b>	<b>30000</b>
Sales	60000	38000	33000
<b>Profit/(loss)</b>	<b>6500</b>	<b>(2500)</b>	<b>3000</b>

- a) Restate the data above using marginal costing. **12marks**
- b) What would be the effect of closing Profit Centre B? **3marks**
17. Karanoze Ltd makes a musical instrument known as kanoza. There is an urgent order for 600 kanoza for a national festival. The normal selling price of 1 kanoza is RWF 10,000 and the sponsors have agreed to pay a surcharge of RWF 1000 on each kanoza because 3 production workers will have to work overtime to meet the delivery date.

The time allowed for the production of 1 kanoza is 15 minutes and, for each hour saved, the workers have a 50% bonus pay over their basic rate of RWF 4000 per hour. They work 40 hours a week and are paid overtime for any extra hours worked, at the rate of 1 and a half times the normal rate.

During the week ended 14 June 2013, they worked exclusively on the order mentioned above, as follows:

Workers	Kaneza	Keza	Kazungu
Production	216	200	184
Hours worked	45	42	44

Direct materials cost is RWF 5000 per unit and overheads are absorbed at the rate of RWF 4000 per direct labour hour worked.

- Calculate: a) the time saved and the overtime hours worked **4marks**
- b) The total labour cost **6marks**
- c) The profit made by Karanoze Ltd on the order. **5marks**
18. The following information relates to the trading activities of Rondereza Traders for the financial year ended 31 December 2012. They sell only one type of improved stove and they have decided to keep the selling price constant throughout the year. The business uses the FIFO method of valuing stock.

	Number of units	Unit price RWF	Total RWF
Sales		1 400	252 000
Stock on hand; 1 Jan 2012	40 units	950	38 000
Stoves available for sale available the year:	250 units		170 000

Purchases were made as follows:

February 2012	30 units	900	27 000
June 2012	80 units	850	68 000
November 2012	100 units	750	75 000

Calculate:

- The total number of stoves sold during the year and the total number of stoves on hand at 1 January 2013; **2marks**
- The closing stock using the FIFO method; **2marks**
- The gross profit for the year ended 31 December 2012. Draft the Trading account to calculate this figure; **5marks**
- The value of the closing stock using the weighted average stock valuation method; **2marks**
- The gross profit for the year using the weighted average method; **4marks**

19. Bashaka Ltd had the following income statement for September 2013.

Sales: 3,000 units at RWF 80/unit	240,000
Less: Cost of Goods Sold:	
Variable Production Cost	180,000
Fixed Production Cost	19,800
Gross Margin	40,200
Selling and Administrative Expenses	
Variable Selling Cost	21,000
Fixed Selling Expenses	7,500
Net Income Before Taxes	11,700

- Find the firm's breakeven output. **3marks**
- What quantity will it need to sell to get a monthly net income before taxes of RWF 18,000 and its cost structure remains unchanged? **3marks**
- What will be its breakeven output if its variable production costs increase by 4 RWF per unit? **3marks**
- After the increase of 4 RWF per unit, what output will it need to sell in order to get the 18,000 RWF monthly pre-tax profit stated earlier? **3marks**
- Given the variable production cost increase but no change in fixed costs, what will be the firm's monthly profit if it sells 4,000 units of output per month? **3marks**