

MANAGEMENT ACCOUNTING

**ACCOUNTING PROFESSION OPTION
for Rwandan Schools**

Senior

6

Teacher's Guide

Experimental Version

Kigali, 2023

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FOREWORD

Dear Teachers,

Rwanda Basic Education Board is honoured to present the teacher's guide for Management accounting in the Accounting Profession Option. This book serves as a guide to competence-based teaching and learning to ensure consistency and coherence in the learning of the Management accounting Subject. The Rwandan educational philosophy is to ensure that students achieve full potential at every level of education which will prepare them to be well integrated in society and exploit employment opportunities.

Specifically, the curriculum for Accounting Profession Option was introduced so as to train quality Accountant Technicians who are qualified, confident and efficient for job opportunities and further studies in Higher Education in different programs under accounting career advancement.

In line with efforts to improve the quality of education, the government of Rwanda emphasizes the importance of aligning teaching and learning materials with the syllabus to facilitate their learning process. Many factors influence what students learn, how well they learn and the competences they acquire. Those factors include the relevance of the specific content, the quality of teachers' pedagogical approaches, the assessment strategies and the instructional materials.

High Quality Accounting Technician program is an important component of Finance and Economic development of the Rwanda Vision 2050, "**The Rwanda We Want**" that aims at transforming the country's socioeconomic status. Qualified Accounting Technicians will significantly play a major role in the mentioned socioeconomic transformation journey. Management accounting textbooks and teacher's guide are elaborated to provide the accounting operations and equations that are necessary to train Accounting Technician capable of successfully performing their duties.

The ambition to develop a knowledge-based society and the growth of regional and global competition in the jobs market has necessitated the shift to a competence-based curriculum.

The Management accounting teacher's guide provides active teaching and learning techniques that engage students to develop competences. In view of this, your role as a management accounting teacher is to:

- Plan your lessons and prepare appropriate teaching materials.
- Organize group discussions for students considering the importance of social constructivism suggesting that learning occurs more effectively

when the students work collaboratively with more knowledgeable and experienced people.

- Engage students through active learning methods such as inquiry methods, group discussions, research, investigative activities and group or individual work activities.
- Provide supervised opportunities for students to develop different competences by giving tasks which enhance critical thinking, problem solving, research, creativity and innovation, communication and cooperation.
- Support and facilitate the learning process by valuing students' contributions in the class activities.
- Guide students towards the harmonization of their findings.
- Encourage individual, pair and group evaluation of the work done in the classroom and use appropriate competence-based assessment approaches and methods.

To facilitate you in your teaching activities, the content of this book is self-explanatory so that you can easily use it. It is divided in 3 parts:

The part I explains the structure of this book and gives you the methodological guidance;

The part II gives a sample lesson plan;

The part III details the teaching guidance for each concept given in the student book.

Even though this Teacher's guide contains the guidance on solutions for all activities given in the student's book, you are requested to work through each question before judging student's findings.

I wish to sincerely express my appreciation to the people who contributed towards the development of this book, particularly, REB staff, UR Lecturers, Teachers from TTC and General Education and experts from different Education partners for their technical support. A word of gratitude goes also to the administration of Universities, Head Teachers and TTCs principals who availed their staff for various activities.

Dr. MBARUSHIMANA Nelson

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PART I. GENERAL INTRODUCTION

1.1 The structure of the guide

The teacher's guide of Management accounting is composed of three parts:

The Part I concerns general introduction that discusses methodological guidance on how best to teach and learn Management accounting, developing competences in teaching and learning, addressing cross-cutting issues in teaching and learning and Guidance on assessment.

Part II presents a sample lesson plan. This lesson plan serves to guide the teacher on how to prepare a lesson in Management accounting.

The Part III is about the structure of a unit and the structure of a lesson. This includes information related to the different components of the unit and these components are the same for all units. This part provides information and guidelines on how to facilitate students while working on learning activities. Also included are answers of all application activities from the textbook.

1.2 Methodological guidance

1.2.1 Developing competences

Since 2015 Rwanda shifted from a knowledge based to a competence-based curriculum for pre-primary, primary, secondary education and recently the curriculum for professional options such as TTC, Associate Nurse and Accounting programs. These changes were called for by the way of learning shifted from teacher centred to a learner centred approach. Teachers are not only responsible for knowledge transfer but also for fostering students' learning achievement and creating safe and supportive learning environment. This implies that students should demonstrate what the Teachers are able to transfer and that they have acquired knowledge, skills, values and attitude to new situations.

The competence-based curriculum employs an approach of teaching and learning based on discrete skills rather than dwelling on only knowledge or the cognitive domain of learning. It focuses on what learner can do rather than what learner knows. Students develop competences through subject unit with specific learning objectives broken down into knowledge, skills and attitudes/values through learning activities.

In addition to the competences related to Management accounting, students also develop generic competences which should promote the development of higher order thinking skills and professional skills in Management accounting teaching. Generic competences are developed throughout all units of

Management accounting as follows:

Generic competences	Ways of developing generic competences
Critical thinking	All activities that require students to calculate, convert, interpret, analyse, compare and contrast, etc. have a common factor of developing critical thinking into students
Creativity and innovation	All activities that require students to plot a graph of a given algebraic data, to organize and interpret statistical data collected and to apply skills in solving problems of production/ finance/ economic have a common character of developing creativity into students
Research and problem solving	All activities that require students to make research and apply their knowledge to solve problems from the real-life situation have a character of developing research and problem solving into students.
Communication	During Management Accounting class, all activities that require students to discuss either in groups or in a whole class and present findings or debate, have a common character of developing communication skills into students.
Co-operation, interpersonal relations and life skills	All activities that require students to work in pairs or in groups have character of developing cooperation, interpersonal relations and life skills among students.
Lifelong learning	All activities that are connected with research have a common character of developing students curiosity of applying the knowledge learnt in a range of situations. The purpose of such kind of activities is for enabling students to become life-long students who can adapt to the fast-changing world and the uncertain future by taking initiative to update knowledge and skills with minimum external support.
Professional skills	Specific instructional activities and procedures that a teacher may use in the classroom to facilitate, directly or indirectly, students to be engaged in learning activities. These include a range of teaching skills: the skill of questioning, reinforcement, probing, explaining, stimulus variation, introducing a lesson; illustrating with examples, using blackboard, silence and non-verbal cues, using audio – visual aids, recognizing attending behaviour and the skill of achieving closure.

The generic competences help students deepen their understanding of Management accounting and apply their knowledge in a range of situations. As students develop generic competences, they also acquire the set of skills that employers look for in their employees, and so the generic competences prepare students for the world of work.

1.2.2 Addressing cross cutting issues

Among the changes brought by the competence-based curriculum is the integration of cross cutting issues as an integral part of the teaching and learning process-as they relate to and must be considered within all subjects to be

appropriately addressed. The eight cross cutting issues identified in the national curriculum framework are: *Comprehensive Sexuality Education, Environment and Sustainability, Financial Education, Genocide studies, Gender, Inclusive Education, Peace and Values Education, and Standardization Culture.*

Some cross-cutting issues may seem specific to particular learning areas/ subjects but the teacher need to address all of them whenever an opportunity arises. In addition, students should always be given an opportunity during the learning process to address these cross-cutting issues both within and out of the classroom.

Below are examples of how crosscutting issues can be addressed:

Cross-Cutting Issue	Ways of addressing cross-cutting issues
<p>Comprehensive Sexuality Education: The primary goal of introducing Comprehensive Sexuality Education program in schools is to equip children, adolescents, and young people with knowledge, skills and values in an age appropriate and culturally gender sensitive manner so as to enable them to make responsible choices about their sexual and social relationships, explain and clarify feelings, values and attitudes, and promote and sustain risk reducing behaviour.</p>	<p>Using different charts and their interpretation, Management accounting teacher should lead students to discuss the following situations: “Alcohol abuse and unwanted pregnancies” and advise students on how they can fight against them.</p> <p>Some examples can be given when learning, recruitment process and the related graphical interpretation.</p>
<p>Environment and Sustainability: Integration of Environment, Climate Change and Sustainability in the curriculum focuses on and advocates for the need to balance economic growth, society well-being and ecological systems. Students need basic knowledge from the natural sciences, social sciences, and humanities to understand to interpret principles of sustainability.</p>	<p>Using Real life models or students’ experience, Management accounting, Teachers should lead students to illustrate the situation of “population growth” and discuss its effects on the environment and sustainability.</p>
<p>Financial Education: The integration of Financial Education into the curriculum is aimed at a comprehensive financial education program as a precondition for achieving financial inclusion targets and improving the financial capability of Rwandans so that they can make appropriate financial decisions that best fit the circumstances of one’s life.</p>	<p>Through different examples and calculations on labour payment (wages and salaries), cost sheet problems, and total cost, Management accounting teacher can lead students to discuss how to make appropriate financial decisions.</p>

<p>Gender: At school, gender will be understood as family complementarities, gender roles and responsibilities, the need for gender equality and equity, gender stereotypes, gender sensitivity, etc.</p>	<p>Management accounting, Teachers should address gender as cross-cutting issue through assigning leading roles in the management of groups to both girls and boys and providing equal opportunity in the lesson participation and avoid any gender stereotype in the whole teaching and learning process.</p>
<p>Inclusive Education: Inclusion is based on the right of all students to a quality and equitable education that meets their basic learning needs and understands the diversity of backgrounds and abilities as a learning opportunity.</p>	<p>Firstly, Management accounting Teachers need to identify/recognize students with special needs. Then by using adapted teaching and learning resources while conducting a lesson and setting appropriate tasks to the level of students, they can cater for students with special education needs. They must create opportunity where students can discuss how to cater for students with special educational needs.</p>
<p>Peace and Values Education: Peace and Values Education (PVE) is defined as education that promotes social cohesion, positive values, including pluralism and personal responsibility, empathy, critical thinking and action in order to build a more peaceful society.</p>	<p>Through a given lesson, a teacher should:</p> <ul style="list-style-type: none"> ▪ Set a learning objective which is addressing positive attitudes and values, ▪ Encourage students to develop the culture of tolerance during discussion and to be able to instil it in colleagues and cohabitants; ▪ Encourage students to respect ideas from others.
<p>Standardization Culture: Standardization Culture in Rwanda will be promoted through formal education and plays a vital role in terms of health improvement, economic growth, industrialization, trade and general welfare of the people through the effective implementation of Standardization, Quality Assurance, Metrology and Testing.</p>	<p>With different word problems related to the effective implementation of Standardization, Quality Assurance, Metrology and Testing, students can be motivated to be aware of health improvement, economic growth, industrialization, trade and general welfare of the people.</p>

1.2.3 Guidance on how to help students with special education needs in classroom

In the classroom, students learn in different way depending to their learning pace, needs or any other special problem they might have. However, the teacher has the responsibility to know how to adopt his/her methodologies and approaches in order to meet the learning need of each student in the classroom. Also, teachers need to understand that student with special needs, need to be taught differently or need some accommodations to enhance the learning environment. This will be done depending to the subject and the nature of the lesson.

In order to create a well-rounded learning atmosphere, teachers need to:

- Remember that students learn in different ways so they have to offer a variety of activities (e.g. role-play, music and singing, word games and quizzes, and outdoor activities);

- Maintain an organized classroom and limits distraction. This will help students with special needs to stay on track during lesson and follow instruction easily;
- Vary the pace of teaching to meet the needs of each student. Some students process information and learn more slowly than others;
- Break down instructions into smaller, manageable tasks. Students with special needs often have difficulty understanding long-winded or several instructions at once. It is better to use simple, concrete sentences in order to facilitate them understand what you are asking.
- Use clear consistent language to explain the meaning (and demonstrate or show pictures) if you introduce new words or concepts;
- Make full use of facial expressions, gestures and body language;
- Pair a student who has a disability with a friend. Let them do things together and learn from each other. Make sure the friend is not overprotective and does not do everything for the one with disability. Both students will benefit from this strategy;
- Use multi-sensory strategies. As all students learn in different ways, it is important to make every lesson as multi-sensory as possible. Students with learning disabilities might have difficulty in one area, while they might excel in another. For example, use both visual and auditory cues.
- Below are general strategies related to each main category of disabilities and how to deal with every situation that may arise in the classroom. However, the list is not exhaustive because each student is unique with different needs and that should be handled differently.

Strategy to help students with developmental impairment:

- Use simple words and sentences when giving instructions;
- Use real objects that students can feel and handle. Rather than just working abstractly with pen and paper;
- Break a task down into small steps or learning objectives. The student should start with an activity that she/he can do before moving on to something that is more difficult;
- Gradually give the student less help;
- Let the student with disability work in the same group with those without disability.

Strategy to help students with visual impairment:

- Help students to use their other senses (hearing, touch, smell and taste) and carry out activities that will promote their learning and development;
- Use simple, clear and consistent language;
- Use tactile objects to help explain a concept;

- If the student has some sight, ask him/her what he/she can see;
- Make sure the student has a group of friends who are helpful and who allow him/her to be as independent as possible;
- Plan activities so that students work in pairs or groups whenever possible;

Strategy to help students with hearing disabilities or communication difficulties

- Always get the student's attention before you begin to speak;
- Encourage the student to look at your face;
- Use gestures, body language and facial expressions;
- Use pictures and objects as much as possible.
- Keep background noise to a minimum.

Strategies to help students with physical disabilities or mobility difficulties:

- Adapt activities so that students, who use wheelchairs or other mobility aids, can participate.
- Ask parents/caregivers to assist with adapting furniture e.g. the height of a table may need to be changed to make it easier for a student to reach it or fit their legs or wheelchair under;
- Encourage peer support when needed;
- Get advice from parents or a health professional about assistive devices if the student has one.

Adaptation of assessment strategies:

At the end of each unit, the teacher is advised to provide additional activities to help students achieve the key unit competence. These assessment activities are for remedial, consolidation and extension designed to cater for the needs of all categories of students; slow, average and gifted students respectively. Therefore, the teacher is expected to do assessment that fits individual students.

Remedial activities	After evaluation, slow students are provided with lower order thinking activities related to the concepts learnt to facilitate them in their learning. These activities can also be given to assist deepening knowledge acquired through the learning activities for slow students.
Consolidation activities	After introduction of any concept, a range number of activities can be provided to all students to enhance/ reinforce learning.
Extended activities	After evaluation, gifted and talented students can be provided with high order thinking activities related to the concepts learnt to make them think deeply and critically. These activities can be assigned to gifted and talented students to keep them working while other students are getting up to required level of knowledge through the learning activity.

1.2.4. Guidance on assessment

Assessment is an integral part of teaching and learning process. The main purpose of assessment is for improvement of learning outcomes. Assessment for learning/ Continuous/ formative assessment intend to improve students' learning and teacher's teaching whereas assessment of learning/summative assessment intends to improve the entire school's performance and education system in general.

Continuous/ formative assessment

It is an on-going process that arises during the teaching and learning process. It includes lesson evaluation and end of sub unit assessment. This formative assessment should play a big role in teaching and learning process. The teacher should encourage individual, pair and group evaluation of the work done in the classroom and uses appropriate competence-based assessment approaches and methods.

Formative assessment is used to:

- Determine the extent to which learning objectives are being achieved and competences are being acquired and to identify which students need remedial interventions, reinforcement as well as extended activities. The application activities are developed in the student
- book and they are designed to be given as remedial, reinforcement, end lesson assessment, homework or assignment
- Motivate students to learn and succeed by encouraging students to read, or learn more, revise, etc.
- Check effectiveness of teaching methods in terms of variety, appropriateness, relevance, or need for new approaches and strategies. Management accounting teachers need to consider various aspects of the instructional process including appropriate language levels, meaningful examples, suitable methods and teaching aids/ materials, etc.
- Help students to take control of their own learning.

In teaching Management accounting, formative or continuous assessment should compare performance against instructional objectives. Formative assessment should measure the student's ability with respect to a criterion or standard. For this reason, it is used to determine what students can do, rather than how much they know.

Summative assessment

The assessment can serve as summative and informative depending to its purpose. The end unit assessment will be considered summative when it is

done at end of unit and want to start a new one.

It will be formative assessment, when it is done in order to give information on the progress of students and from there decide what adjustments need to be done.

The assessment done at the end of the term, end of year, is considered as summative assessment so that the teacher, school and parents are informed of the achievement of educational objective and think of improvement strategies. There is also end of level/ cycle assessment in form of national examinations.

When carrying out assessment?

Assessment should be clearly visible in lesson, unit, term and yearly plans.

- **Before learning (diagnostic):** At the beginning of a new unit or a section of work; assessment can be organized to find out what students already know / can do, and to check whether the students are at the same level.
- **During learning (formative/continuous):** When students appear to be having difficulty with some of the work, by using on-going assessment (continuous). The assessment aims at giving students support and feedback.
- **After learning (summative):** At the end of a section of work or a learning unit, the Management accounting Teacher has to assess after the learning. This is also known as Assessment of Learning to establish and record overall progress of students towards full achievement. Summative assessment in Rwandan schools mainly takes the form of written tests at the end of a learning unit or end of the month, and examinations at the end of a term, school year or cycle.

Instruments used in assessment.

- **Observation:** This is where the Management accounting teacher gathers information by watching students interacting, conversing, working, playing, etc. A teacher can use observations to collect data on behaviours that are difficult to assess by other methods such as attitudes, values, and generic competences and intellectual skills. It is very important because it is used before the lesson begins and throughout the lesson since the teacher has to continue observing each and every activity.
- **Questioning**
 - a) Oral questioning: a process which requires a student to respond verbally to questions
 - b) Class activities/ exercise: tasks that are given during the learning/ teaching process
 - c) Short and informal questions usually asked during a lesson
 - d) Homework and assignments: tasks assigned to students by their teachers

to be completed outside of class.

Homework assignments, portfolio, project work, interview, debate, science fair are the different forms/instruments of assessment.

1.2.5. Teaching methods and techniques that promote active learning

The different learning styles for students can be catered for, if the teacher uses active learning whereby students are really engaged in the learning process.

The main teaching methods used in Management accounting are the following:

- **Dogmatic method** (the teacher tells the students what to do, what to observe, how to attempt, how to conclude)
- **Inductive-deductive method:** Inductive method is to move from specific examples to generalization and deductive method is to move from generalization to specific examples.
- **Analytic-synthetic method:** Analytic method proceeds from unknown to known, 'Analysis' means 'breaking up' of the problem in hand so that it ultimately gets connected with something obvious or already known. Synthetic method is the opposite of the analytic method. Here one proceeds from known to unknown.
- **Skills lab method:** Skills lab method is based on the maxim "learning by doing." It is a procedure for stimulating the activities of the students and to encourage them to make discoveries through practical activities.
- **Problem solving method, Project method and Seminar Method.**

The following are some active techniques to be used in Management accounting:

- Group work
- Research
- Probing questions
- Practical activities (drawing, plotting, interpreting graphs)
- Modelling
- Brainstorming
- Quiz Technique
- Discussion Technique
- Scenario building Technique

What is Active learning?

Active learning is a pedagogical approach that engages students in doing things and thinking about the things they are doing. Students play the key role in the

active learning process. They are not empty vessels to fill but people with ideas, capacity and skills to build on for effective learning. Thus, in active learning, students are encouraged to bring their own experience and knowledge into the learning process.

The role of the teacher in active learning	The role of students in active learning
<ul style="list-style-type: none"> - The teacher engages students through active learning methods such as inquiry methods, group discussions, research, investigative activities, group and individual work activities. - He/she encourages individual, peer and group evaluation of the work done in the classroom and uses appropriate competence-based assessment approaches and methods. - He provides supervised opportunities for students to develop different competences by giving tasks which enhance critical thinking, problem solving, research, creativity and innovation, communication and cooperation. - Teacher supports and facilitates the learning process by valuing students' contributions in the class activities. 	<p>A learner engaged in active learning:</p> <ul style="list-style-type: none"> - Communicates and shares relevant information with fellow students through presentations, discussions, group work and other learner-centred activities (role play, case studies, project work, research and investigation); - Actively participates and takes responsibility for his/her own learning; - Develops knowledge and skills in active ways; - Carries out research/investigation by consulting print/online documents and resourceful people, and presents their findings; - Ensures the effective contribution of each group member in assigned tasks through clear explanation and arguments, critical thinking, responsibility and confidence in public speaking - Draws conclusions based on the findings from the learning activities.

Main steps for a lesson in active learning approach

All the principles and characteristics of the active learning process highlighted above are reflected in steps of a lesson as displayed below. Generally, the lesson is divided into three main parts whereby each one is divided into smaller steps to make sure that students are involved in the learning process. Below are those main part and their small steps:

1. Introduction

Introduction is a part where the teacher makes connection between the current and previous lesson through appropriate technique. The teacher opens short discussions to encourage students to think about the previous learning experience and connect it with the current instructional objective. The teacher

reviews the prior knowledge, skills and attitudes which have a link with the new concepts to create good foundation and logical sequencings.

2. Development of the new lesson

The development of a lesson that introduces a new concept will go through the following small steps: discovery activities, presentation of students' findings, exploitation, synthesis/summary and exercises/application activities.

❖ Discovery activity

Step 1:

- The teacher discusses convincingly with students to take responsibility of their learning
- He/she distributes the task/activity and gives instructions related to the tasks (working in groups, pairs, or individual to prompt /instigate collaborative learning, to discover knowledge to be learned)

Step 2:

- The teacher let students work collaboratively on the task;
- During this period the teacher refrains to intervene directly on the knowledge;
- He/she then monitors how the students are progressing towards the knowledge to be learned and boosts those who are still behind (but without communicating to them the knowledge).

❖ Presentation of students' findings/productions

- In this part, the teacher invites representatives of groups to present their productions/findings.
- After three/four or an acceptable number of presentations, the teacher decides to engage the class into exploitation of students' productions.

❖ Exploitation of students' findings/ productions

- The teacher asks students to evaluate the productions: which ones are correct, incomplete or false
- Then the teacher judges the logic of the students' findings, corrects those which are false, completes those which are incomplete, and confirms those which are correct.

❖ Institutionalization or harmonization (summary/conclusion/ and examples)

- The teacher summarizes the learned knowledge and gives examples which illustrate the learned content.

❖ Application activities

- Exercises of applying processes and products/objects related to learned unit/sub-unit
- Exercises in real life contexts
- Teacher guides students to make the connection of what they learnt to real

life situations.

- At this level, the role of teacher is to monitor the fixation of process and product/object being learned.

3. Assessment

In this step the teacher asks some questions to assess achievement of instructional objective. During assessment activity, students work individually on the task/activity. The teacher avoids intervening directly. In fact, results from this assessment inform the teacher on next steps for the whole class and individuals. In some cases, the teacher can end with a homework/ assignment. Doing this will allow students to relay their understanding on the concepts covered that day. Teacher leads them not to wait until the last minute for doing the homework as this often results in an incomplete homework set and/or an incomplete understanding of the concept.

PART II: SAMPLE LESSON

School Name: X Teacher's name: Y

Term	Date	Subject	Class	Unit N°	Lesson N°	Duration	Class size
.....	Day / month/ year	Management Accounting	Year 6	4	2 of 5	80min	30
Type of Special Educational Needs to be catered for in this lesson and number of learners in each category				Two students with visual impairment			
Unit title		Standard Costing					
Key Unit Competence:		To be able to Control account using Standard Costing					
Title of the lesson		Standard Costing Steps					
Instructional Objective		Given a written scenario of the Company, student will be able to explain the steps of standard costing. The teacher will read for the students with visual impairment and allow them to answer verbally or use Braille documents.					
Plan for this Class (location: in / outside)		Inside the classroom in a U shape arrangement or outside the classroom					
Learning Materials (for all learners)		The learning material will depend on what is available (example: scenario, field visit, etc.)					

References	student book year 6 Management accounting unit 3 (Budget and Budgetary control).		
Timing for each step	Description of teaching and learning activity		Generic competences and cross cutting issues to be addressed + a short explanation
	Think-pair-share; small group discussion on steps of standard costing, and content harmonization from different group presentations		
1. Introduction 10 minutes	Teacher activities	Learner activities	Communication: through answering questions and peer discussion.
	<p>Revision on the previous lesson on the meaning of standard costing</p> <p>Explain the meaning of steps of standard costing</p> <p>Handle any homework or assignments,</p> <p>Ensure a conducive learning environment.</p> <p>Show learners the relationship between the previous lesson and new lesson</p> <p>Guide students to discover the lesson of the day.</p> <p>Share the objectives of the lesson with the learners</p> <p>Ask students to show the link between learning objective and Key unit competence</p>	<p>Answer the questions on the meaning of standard costing</p> <p>Correct homework with the teacher</p> <p>Discover the title of today's lesson:</p> <p>Steps of standard costing</p>	

2. Development of the lesson : 55min

<p>a) Discovery activity</p> <p>25 Minutes</p>	<p>Ask student to play Water Melon Game: Put students into groups & have them sit together.</p> <p>Ask student to look in student book year 6 Management accounting unit 3 (Budget and Budgetary control).</p> <p>This activity will be done first individually, shared in pairs then in a big group according to students sitting arrangement</p> <p>Tell students that this activity will be done in 35 minutes and the presentation will be done using gallery work.</p> <p>Teacher moves around in groups to guide them as they attempt to answer the questions.</p> <p>The teacher pays a special attention to students with disabilities</p>	<p>Listen carefully to instructions</p> <p>Forming groups:</p> <ul style="list-style-type: none"> - Students arrange themselves in teams and sit together. - Work individually or in pairs to explain the steps of standard costing - In their groups, they share and agree on the list of standard costing steps 	<p>Cooperation, interpersonal management and life</p> <p>Skills: Students share ideas in pairs and in groups.</p> <p>Critical thinking:</p> <ul style="list-style-type: none"> - Students analyse situation of business in their community and come up with steps of determining standard cost for the businesses products. <p>Communication:</p> <ul style="list-style-type: none"> - Students discuss in groups and answer questions. <p>Research and problem solving:</p> <p>Through discussion and research, students explain the steps of standard costing Peace and values education:</p>
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			Through games and group discussions, students socialize and develop some values like sharing, honesty, cooperation, respect, team work, etc.
b) Presentation and exploitation of learner's productions 20 Minutes	<ul style="list-style-type: none"> – Invite the student to hang their work on the Present Boards. – Allow students to do gallery work – To ask other groups if they agree on what other groups have presented and comment on each presentation. – Invite the representative of each group to come, list the Steps of standard costing 	<p>Groups present about the list of steps of standard costing</p> <ul style="list-style-type: none"> – Each team hangs its answers on Present Board. – Each team moves around to read presentations of other teams while taking notes and asking for clarification where they do not understand. <p>Harmonize their findings and come up with the steps of standard costing</p>	<p>Inclusive Education:</p> <p>Taking into account students with visual impairment during gallery walk and also read for them.</p> <p>Communication:</p> <ul style="list-style-type: none"> – Student discusses and communicates verbally while presenting their work and commenting on other groups work. <p>Critical thinking:</p> <ul style="list-style-type: none"> – Learners use critical thinking in answering questions.
c) Summary/ conclusion 10 Minutes	<ul style="list-style-type: none"> - Help the students to come up with a summary on Steps of Standard Costing. 	<p>Standard costing steps:</p> <p>The following are the steps which are to be taken while doing standard costing</p>	<p>Inclusive Education:</p> <p>Taking into account of students with visual impairment by reading for them note written onboard and giving more time to take note.</p>

– Read the summary loudly for the two students with visual impairment to allow them to take notes.

a. **Setting the Standard:**

The first step is to set the standard on the basis of management's estimation. Basically, standards are set considering the past data, future trends, and production plan.

b. **Ascertaining actual results**

When the standard are set the second steps is to determine the costs for each element like material, labour and overhead.

c. **Comparison of actual value costs and standard costs**

The next step is to compare the standard costs with the actual cost to determine the variance

d. **Determination of causes**

Once the comparison is done, the next step is to find out the reason for the variance so that corrective measures can be taken

e. **Disposition of variance**

The last step involves the disposition of variance by transferring it to the profit and loss account.

<p>3. Assessment 15. Minutes</p>	<p>1. Outline the steps of Standard Costing 2. Explain the steps of standard costing</p>	<p>Expected Answers: Q1.-Setting the standard -Ascertaining actual results -Comparison of actual value cost and standard cost -Determination of causes -Disposition of variance</p>	
		<p>Q2.a.Setting standard: is the first step that used to set the standard on the basis of management's estimation. Standards are set considering the past data, future trends and production plan. b. Ascertaining actual results: Are the second step which are set to determine the cost for each element like material, labour and overhead c. Comparison of actual results and standard cost: is the third step which is compare the standard cost and the actual cost to determine the variance. d. Determination of causes: Is the step that is used to find out the reason for the variance so that corrective measures can be taken e.Disposition of variance: Is the last step involves the disposition of variance by transferring it to the profit and loss account</p>	
<p>Teacher self-evaluation</p>	<p>For example: 4 students need remedial activities (they are given)</p>		

UNIT 1

FORECAST INCOME AND EXPENDITURE.

1.1. Key Unit competence:

Forecasting of income and expenditure for an accounting period.

1.2. Prerequisite (knowledge, skills, attitudes and values)

During this unit, students need to revise some contents studied in previous lessons. The computation of costs senior 4 unit 7, cost behaviors analysis in (senior 5 unit 2) This units requires to go back and read again the cost statement in order to estimate forecasting of income and expenditure in an organization for future benefit.

1.3. Cross-cutting issues to be addressed

Note: The examples below are just to guide you on how to address cross-cutting issues throughout the unit but this does not mean that these are the only ones. You can address and give students opportunities to discuss all the crosscutting issues where possible taking consideration of their environment or community.

- 1) **Inclusive education:** In addition to all having equal opportunities to study, emphasis has to be put on how we all study regardless of our background, economic or social setup, everyone has a right to study without discrimination as our needs are the same. Students need to understand that this unit should not discriminate but promote inclusiveness of all...etc.
- 2) **Financial Education:** For example, in setting personal goals, learners may be requested to forecast the income and expenditure in any organization/government for avoiding unnecessary expenses and maximize earning profit which can motivate students to plan, to achieve their saving goals. Learners may describe strategies to reduce spending and increase savings to become financially fit. In every lesson, learners can share briefly their progress towards their goals: how much, strategies that worked and what needs to improve on. While looking at management accounting and institutions, learners need to appreciate the need for managing their finances and proper ways of managing their finances

such as opening a bank account among others.

1.4. Guidance on introductory activity

This introductory activity intends to arise students' attention and interest on forecasting of income and expenditure for well planning for future management of any investment.

- Guide students to observe carefully introductory activity picture from the text book
- Guide them to work in pairs.
- Have some pairs make presentations.
- Give constructive feedback and guide towards the lesson (you can use additional simulating questions)

Possible Answers to introductory activity

Meeting was about discussing the end of period performance challenges faced, projection of future and method to use in predicting future.

1.5. List of lessons and lesson development

Headings	Sub/headings	Learning objectives	Number of periods
1.1 Introduction to forecasting	1.1.1 Definition of key terms	Explain the key term relating to forecasting	3
	1.1.2 Source of information in forecasting	State the source of forecasting information	4
1.2 Forecasting Methods	1.2.1 Forecasting Methods for income and Expenditure	Explain the forecasting methods for income and Expenditures	15
1.3 Forecasting models	1.3.1 Forecasting models for Income and expenditure	Explain the forecasting models for income and expenditure	6
1.4 Process/ Steps in forecasting	1.4.1 Process/Steps in forecasting	Explain the process of forecasting	5
1.5 Challenges to forecasting	1.5.1 Challenges to forecasting	Explain the forecasting challenges	3
	End unit assessment		3

Lesson 1: Introduction to forecasting

a) Learning objective

- Explain the key term relating to forecasting.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, students' books, internet, flip charts, markers, case studies and any other trusted and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction

Students have the basic knowledge on Computation of costs, without knowing how to forecast income and expenditure, which will help them to implement the activity in an organization.

d) Learning activities

Activity 1.1

- Help students to form small groups as possible.
- Ask them to read carefully the scenario in the book.
- Guide students while they are discussing on the scenario
- Distribute the flip charts, markers and pens into formed groups.
- Ask the group representatives to present their observations.
- Give the constructive feedback.

Possible Answers to learning activity 1.1



- Agents in pictures are: Cultivator, customers, accountant.
- Accountant is trying to forecast future production.
- Accountant can get information from source documents like sales receipt, Bank statement, and invoice.

Application Activity 1.1

- Help students to form groups accordingly
- Guide them where they do not understand
- Each group should have time to present to their classmates
- Give constructive feedback

**Definition of concepts**

4) Forecasting: refers to the practice of predicting what will happen in the future by taking into consideration events in the past and present. Basically, it is a decision-making tool that helps businesses cope with the impact of the future's uncertainty by examining historical data and trends.

5) Budgeting: is creating financial statements for a specific period, such as projected revenue, expenses, cash flow and investments. It is usually conducted with input from many different departments, because it requires input from multiple departments in order to come up with a holistic and detailed report.

6) Financial Forecasting: is predicting a company's financial future by examining historical performance data, such as revenue, cash flow, expenses, or sales. This involves guesswork and assumptions, as many unforeseen factors can influence business performance. Common types of forecasts include cashflow forecast, projected profit and loss and statement of financial position forecast

1. Five key sources of information for forecasting:

- ✓ Market or industry data
- ✓ Competitors
- ✓ Key customers
- ✓ Suppliers
- ✓ Human resource department

Lesson 2: Forecasting Methods**a) Learning objectives**

- Explain the forecasting methods for income and expenditures

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, students' books, internet, flip charts, markers, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

As already studied computing of cost and costing methods and decision making in (S5), students, under the guidance of the teacher, discuss forecasting of income and expenditure.

d) Learning activities Activity 1.2

- Help students to form small groups
- Ask them to observe carefully the picture
- Guide them while they are discussing
- Distribute the flip charts and markers
- Ask the group representatives to present their results
- Give them constructive feedback

Possible Answers to learning activity 1.2.



I. A graph with two variables: Awesomeness and super coolness

II. Image above show a graph showing some relationship between Awesomeness and super coolness and people discussing something guided by facilitator

Application Activity 1.2.

- Request students to form group
- Distribute the printed application sheets
- Guide students in discussion
- Help them to understand the question
- One of group representatives presents its results and help the whole class to make conclusion.
- Give them a clear and constructive feedback

Possible Answers to application activity 1.2.



Solution

(a) Average sales in the three-year period 2010–2012 were $(390+380+460)/3 = 1,230/3 = 410$ This average relates to the middle year of the period, 2011.

Similarly, average sales in the three-year period 2011–2013 were $(380+460+450)/3 = 1,290/3 = 430$ This average relates to the middle year of the period, 2012.

The average sales can also be found for the periods 2012–2014, 2013–2015 and 2014–2016, to give the following.

Possible Answers to application activity 1.2.



Years	S a l e s Units	Moving total of 3 years' sales	Moving total of 3 years' sales
2010	390	-	-
2011	389	1,230	410
2012	460	1,290	430
2013	450	1,380	460
2014	470	1,360	453
2015	440	1,410	470
2016	500	-	-

Note the following points

The moving average series has five figures relating to the years from 2011 to 2015. The original series had seven figures for the years from 2010 to 2016.

A) There is an upward trend in sales, which is more noticeable from the series of moving averages than from the original series of actual sales each year.

Lesson 3: Forecasting models

a) Learning objective

- Explain the forecasting models for income and expenditure.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, students' books, internet, flip charts, markers, case studies and any other trusted and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

As the students have already studied cash management in S5, forecasting of income and expenditure would form a basis of students discussion on the activity. Students, under the guidance of the teacher, discuss forecasting of Income and Expenditure which guide students to implements forecasting model.

d) Learning activities

Activity 1.3

- Help students to form small groups
- Ask them to read the case study

- Guide them while they are discussing
- Distribute the flip charts and markers
- Ask the group representatives to present their results
- Give the constructive feedback

Possible Answers to learning activity 1.3.



- This image show delphi Method
- Participants are trying to share views on proposed Idea

Application Activity 1.3

- Request students to form group
- Distribute the printed application sheets
- Guide students in discussion
- Help them to understand the question
- One of group representatives presents its results and help the whole class to make conclusion.
- Give them a clear and constructive feedback

Possible application Activity answer 1.3.



Development and launch stages

During this period of the product's life there are large outgoings in terms of development expenditure, purchase of non-current assets necessary for production, the building up of inventory levels and advertising and promotion expenses. It is likely that even after the launch, sales will be quite low and the product will be making a loss at this stage.

Growth stage

If the launch of the product is successful then during the growth stage there will be fairly rapid increases in sales and a move to profitability as the costs of the earlier stages are covered. These sales increase however, are not likely to continue indefinitely.

Maturity stage

In the maturity stage of the product life cycle, the growth in demand for the product will probably start to slow down and sales volumes will become more constant. In many cases this is the stage where the product is modified or improved, in order to sustain demand, and this may then result in a small surge in sales.

Decline stage

At some point in a product's life, unless it is a consumable item such as chocolate bars, the product will reach the end of its sale life. The market will have bought enough of the product and sales will decline. This is the point where the business should consider no longer producing the product.

Lesson: 4 Process/Steps in forecasting

a) Learning: objectives.

- Explain the process of forecasting

b) Teaching resources Basic materials for a class/ lesson to be conducted:

Desks, students' books, internet, flip charts, markers, case studies and any other trusted and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

As the students have already studied cash management (S.5) then they can have some basis for forecasting of income and expenditure. Students, under the guidance of the teacher, discuss forecasting of Income and Expenditure which guide students to implements forecasting model and steps in forecasting.

d) Learning activities

Activity 1.4

- Help students to form small groups
- Ask them to observe carefully the picture.
- Guide them while they are discussing
- Distribute the flip charts and markers
- Ask the group representatives to present their results
- Give the constructive feedback

Possible Answers to learning activity 1.4.



- i. This image show delphi Method
- ii. Participants are trying to share views on proposed ideas

Application Activity 1.4

- Request students to form group
- Distribute the printed application sheets
- Guide students in discussion
- Help them to understand the question
- One of group representatives presents its results and help the whole class to make conclusion.
- Give them a clear and constructive feedback.

Possible Answers to application activity 1.4.



a) Determine what the forecast is for.

Based on the activity and requests of general manager to all staff in AOB, we need to forecast revenue, cost and profit of Urwiwacu.

b) Select the items for the forecast.

In this step because product is new there are no historical information available to AOB. In absence of historical sales information, it is hard for AOB to forecast revenue cost and profit.

c) Select the time horizon.

AOB staff also needs to fix the timing of launching ABC. This will depend on availability of information like how AOB will get raw material, Production time for Urwiwacu, marketing and advertisement etc.

d) Select the forecast model type and Method

Urwiwacu is new products hence there is no historical information available. AOB will use qualitative method like Delphi method or Judgmental forecasting will be used to arrive at the forecasted data.

Lesson 5: Challenges to forecasting

a) Learning objectives.

- Explain the forecasting challenges

b) Teaching resources :

Basic materials for a class/ lesson to be conducted: Desks, students' books, internet, flip charts, markers, case studies and any other trusted and reliable resources to enhance learning, annual calendar

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson:As the students have already studied cash management (S.5) then they can have some basis for forecasting of income and expenditure. Students, under the guidance of the teacher, discuss forecasting of income and expenditure which guide students to implements forecasting model.

d) Learning activities

Activity 1.5

- Help students to form small groups
- Ask them to observe the picture
- Guide them while they are discussing
- Distribute the flip charts and markers
- Ask the group representatives to present their results
- Give the constructive feedback

Possible Answers to learning activity 1.5.



This man appears to have faced problems (Challenges) where his numbers did not match with what he wanted. He is trying to look at chart and match it with Plans. The man seems to have a lot of paperwork of numbers and may be trying to analyse.

Application Activity 1.5.

- Request students to form group
- Distribute the printed application sheets
- Guide students in discussion
- Help them to understand the question
- One of group representatives presents its results and help the whole class to make conclusions.
- Give them a clear and constructive feedback

Possible Answers to application activity 1.5.



- a) Unforeseeable Events:** one of challenge of financial forecasting problem is unforeseeable events. Though the businesses achieve the quantitative and qualitative forecasting techniques to make their prediction accurate, unforeseeable events can never be achieved. These components can vary inherently, and this is a risk in forecasting
- b) Accuracy of past data:** Financial forecasting is performed based on past business data to predict the future. Many changes have occurred and no past information for startup business.
- c) Data Collections:** Collecting and gathering all the business finance data to proceed further can never be easy. This task can take a week to weeks to gather all the information to build the cash flow projection and revenue forecast. Collecting these data for forecasting is one of the huge financial forecasting problems.

1.6. Summary of the unit

This unit summarizes accurate forecasting of revenues and expenditures. It is important for avoiding both underfunding and excessive funding of the organization/ government, and related consequences of associated surpluses or deficits. Forecasting uses available data and methods of analysis to estimate the value of a variable in the future.

A financial forecast is a fiscal management tool that presents estimated information based on past, current, and projected financial conditions. This will help identify future revenue and expenditure trends that may have an immediate or long-term influence on organization/ government policies, strategic goals, or community services.

1.1. Additional information for teachers

The teacher is recommended to use additional exercises on forecasting of income and expenditure for more comprehension. This will emphasize strengthening teaching and learning about capturing about forecasting of income and expenditure in an organization/government.

Skills LAB 1

Oriented with their respective trainers, the students visit the nearest manufacturing business operating in the same area, let's have a field visit to one of the industries manufacturing clothes (MUTEXRWA) and look how they predict their future customer demand.

With this skills lab, learner will be able to forecast income and expenditure to visited company for 10 months.

▪ **Guidance to the Lab:**

In conducting the skills lab activity, trainer can ask student to prepare forecasted income and expenditure for 10 months the same year, from the given documents

▪ **Build**

- Form mixed manageable groups from class
- Given the skills lab from the students' book by sharing them the printed guidance.
- Let each team have the secretary or representative (note taker, time keeper, and presenter)
- Ensure they have papers where to write the necessary notes from the findings.

▪ **Practice**

- Give them clear instruction on what they have to do, by when and how.
- Ensure that the structure, data given are clear and understandable to everyone.
- Move around the groups as you provide necessary clarifications and guidance

▪ **Present**

- Randomly, choose any one team' representative to present their findings.
- Allow students remaining to ask questions for more clarification and understanding

▪ **Conclusion**

- Teacher emphasizes on the objective on the skills lab reminding students that they have to use knowledge and skills acquired in correction if errors.
- -Give necessary constructive feedback as you conclude the lesson.

1.1. End unit assessment

- Distribute assessment sheets to the students
- Give clear and concise instructions
- Invigilate the assessment
- Collect the assessment sheet
- Give clear and concise constructive feedback

Proposed end unit assessment answers:

QUESTION 1

The time series analysis is a forecasting technique usually used to show trend over a period of time and can be used in forecast of sales/Revenue and costs. It uses series of figures or values recorded over time that's why the time series analyst, analyze record data points at consistent intervals over a set period of time rather than just recording the data points intermittently or randomly.

Examples of time series

Output at a factory each day for the last month

Monthly sales over the last 2 years

Total annual costs for the last 10 years

Retail Prices Index each month for the last 10 years

The number of people employed by a company each year for the last 20 years

Proposed end unit assessment answers:

QUESTION 2

If a manager wants to forecast, he will need to collect information to be based on, those collected information are either primary source or Secondary source.

5 sources of forecasting information.

- Market or industry data it is secondary source of information
- Competitors: it is secondary
- Key customers: Primary
- Suppliers: Primary
- Human resource department: Primary

QUESTION 3

Month	Sales (FRW 000)	3 Period total	3 Period Moving
January	190	-	-
February	180	574	191

March	204	656	219
April	272	731	244
May	255	723	241
June	196	663	221
July	212	646	215
August	238	695	232
September	245	747	249
October	264	789	263
November	280	814	271
December	270		

QUESTION 4

Two qualitative methods for forecasting are:

Market Research

Market research is essential for organizational planning. It helps business leaders obtain a holistic market view based on competition, fluctuating conditions, and consumer patterns. It's also critical for start-ups when historical data isn't available.

Delphi Method

This method incorporates both judgmental and subjective factors. It is an interactive process that allows experts to make an objective forecast.

QUESTION 5

Three challenges of forecasting:

a) Problems with the Input data

Mostly Forecasting method use historical data and assume linearity. In statistics, the assumption of linearity is necessary when certain assumptions are made about the future. However, there is no assurance that a relationship between two variables will continue in the future.

b) Unforeseeable Events

Though the businesses achieve the quantitative and qualitative forecasting techniques to make their prediction accurate, unforeseeable can never be achieved. These components can vary inherently, and reach the risks of forecasting.

c) Accuracy of past data

To arrive at forecasted value company use data collected from different source (Primary or secondary). Sometime those data are manipulated. To get accurate data is the most challenge of forecasting.

QUESTION 6

Three forecasting time horizons are short-term, medium-term, and long-term forecasts. Short-term forecast: Refers to anytime up to a year. In general, a short-term goal is less than 3 months but will not exceed a year. Medium-term forecast: A medium-term forecast can be defined between 1 year and 3 years

1.9. Additional activities

Remedial activities

Question 1

Define the following concepts:

Forecasting and income forecasting

Answers:

It refers to the practice of predicting what will happen in the future by taking into consideration events in the past and present.

- i. Forecasting income: is detailed information analyzing the company's past revenue performance and current growth rate to estimate future income.

Question 2:

Briefly discuss on the time series model and econometric forecasting model and their utilization.

Time Series Model

Answer:

This type of model uses historical data as the key to reliable forecasting. In time series has four main components which are **trend, seasonal variations, cyclical variations** and **random variations**. To visualize patterns of data, it's better when one knows how the variables interact in terms of hours, weeks, months or years. It is useful, for example, when forecasting inflation, sales per month, quarter or yearly

Econometric Forecasting Model

Econometric models attempt to quantify the relationship between the parameter of interest (dependent variable) and a number of factors (explanatory variables) that affect the dependent variable. A simple example of an econometric model is one that assumes that monthly spending by consumers is linearly dependent on consumers' income in the previous month. Econometric forecasting models are systems of relationships between variables such as GNP, inflation, exchange rates etc. Their equations are then estimated from available data, mainly aggregate time series. It is useful for forecasting economic phenomena, sales, costs, profits and productivity performance.

Consolidation activities

Question 1

The data below shows the annual sales (Frw) made by Mugunga P. Ltd. for the years from 2010 to 2021

Years	Sales in FRW
2010	190
2011	180
2012	204
2013	272
2014	255
2015	196

2016	212
2017	238
2018	245
2019	264
2020	280
2021	270

Required

i) Calculate 3 moving averages for the sales of Mugunga P. Ltd

Answer

Month	Sales (in FRW)	3 Period total	3 Period Moving average
2010	190		
2011	180	574	191
2012	204	656	219
2013	272	731	244
2014	255	723	241
2015	196	663	221
2016	212	646	215
2017	238	695	232
2018	245	747	249
2019	264	789	263
2020	280	814	271
2021	270		

Extended activities

Question 1

BPF company advertises sale of land plots at different prices. The following table shows the land plot their acreage and prices.

Plots of land	(x) in Ha	(y) price in Frw
A	2.3	230
B	1.7	150
C	4.2	450
D	3.3	310
E	5.2	550
F	6.0	590
G	7.3	740
H	8.4	850
J	5.6	530

Required: Determine the regression equations of

- i) y on x and hence estimate the price of a land plot with 4.5 hectares
- ii) Estimate the expected average land acreage if the piece of land plot price is Frw 900

Answer :

Piece of land	(x) in Ha	(y) price in FRW	xy	x²
A	2.30	230	529	5.29
B	1.70	150	255	2.89
C	4.20	450	1,890	17.64
D	3.30	310	1,023	10.89
E	5.20	550	2,860	27.04
F	6.00	590	3,540	36.00
G	7.30	740	5,402	53.29
H	8.40	850	7,140	70.56
J	5.60	530	2,968	31.36
	44.00	4,400	25,607	254.96

ii) $Y = a + bx$

Formula breakdown:

Y= Dependent variable(the forecasted number- price of land)

b = line's slope

x = Independent variable (time numbered from 0 upwards – Acreage of land)

a= Y-intercept

N= 9

$$B = \frac{n\sum XY - \sum X\sum Y}{n\sum x^2 - (\sum x)^2} = \frac{(9 \times 25,607) - (44 \times 4400)}{9 \times 254.96 - (44)^2} = \frac{36,863}{358.64} = 102.78$$

$$A = \frac{\sum y}{n} - b \cdot \frac{\sum x}{n} = \frac{440}{9} - 102.78 \left(\frac{44}{9} \right) = -13.62$$

$$y = -13.62 + 102.78x$$

Price of a land plot with 4.5 ha = $-13.62 + 102.78 \times 4.5 = 448,890$

iii) expected average acreage if the piece of land price is Frw 900,000

$$y = -13.62 + 102.78x = 900 = -13.62 + 102.78x$$

$$102.78x = 900 + 13.62$$

$$102.78x = 913.62$$

$$X = 8.8 \text{ acre}$$

UNIT 2

BUDGET AND BUDGETARY CONTROL

2.1. Key Unit competence:

To be able to maintain budget and budgetary

2.2. control within organization.

2.3. Prerequisite (knowledge, skills, attitudes and values)

During this unit, students need to revise some contents studied in previous lessons. The computation of costs senior 4 unit 7, forecasting income and expenditure senior 6 unit 1, cost behaviors analysis in senior 5 unit 2 and costing methods and decision making in senior 5 unit 3. This units requires to go back and read again the cost statement and cost ascertainment without budgeted and budget control for them.

2.4. Cross-cutting issues to be addressed

Note: The examples below are just to guide you on how to address cross-cutting issues throughout the unit but this does not mean that these are the only ones. You can address and give students opportunities to discuss all the crosscutting issues where possible taking consideration of their environment or community.

- 1. Gender education:** Emphasis throughout this unit has to be put on how both male and females have the same opportunities when it comes to generating business ideas and opportunities, there are no ideas/opportunities specifically reserved or meant for a particular gender but they can all choose whatever ideas they feel capable of.
- 2. Inclusive education:** In addition to all having equal opportunities to study, emphasis has to be put on how we all regardless of our background, economic or social setup have right to study that do not discriminate as our needs are the same. Students need to understand that this unit should not discriminate anyone but promote inclusiveness of all...etc.
- 3. Financial Education:** For example, in setting personal goals, learners may be requested to make a budget and budgetary control of cost using a manufacturing company and their plan to save, how much and when they plan to achieve their saving goals. Learners may describe strategies

to reduce spending and increase savings to become financially fit. In every lesson, learners can share briefly their progress towards their goals: how much, strategies that worked and what needs to improve on. While looking at management accounting, learners need to appreciate the need for managing their finances and proper ways of managing their finances such as opening a bank account among others.

2.4. Guidance on introductory activity

Possible Answers to introductory activity

1. There are Master budget book, Budget manual, sales budget book, purchase budget book, expenses budget book, Revenue budget book, expenditure budget book and auditing reports
2. A. Preparation of budget meeting
B. Board of Directors meeting
C. organizational administration meeting
3. A. Identify threats to the achievement of entity's objectives
B. Put in place appropriate controls and treatment measures to manage identified risks
C. Review on monthly basis, exposure to all forms of risk and reduce it as far as reasonable or within tolerable level.
4. If the meeting is held in manufacturing business, the list of participant should be :
A. Chief Budget manager
B. Purchase budget manager
C. Sales budget manager
D. Planning officer
E. Human resource manager
F. Marketing manager
G. Auditor/ accountant
H. Production budget manager
5. One approach to use by the manufacturing is to analyze the past data (budget), demonstrating the key factors and perform the duties and responsibilities of every participant.

2.5.List of lessons and lesson development

Headings	Sub/headings	Learning objectives (from the syllabus or set according to the lesson title)	Number of periods
1.1 Budget	1.1.1	Definition of concepts	3
	1.1.2	Advantages, importance and disadvantages of budget	3
	1.1.3	Skills needed for budget preparation	2
	1.1.4	Stages in budgeting process	3
	1.1.5	Techniques in budgetary process	2
	1.1.6	Classification of budget	3
	1.1.7	Approaches to budgeting	3
	1.1.8	Characteristics of good budget	2
	1.1.9	Hierarchy of budget in an enterprise	3
	1.1.10	Preparation of budget	3
	1.1.11	Impact of external and internal factors on budget.	2

1.2 Budgetary control	1.2.1 Definition	Define clearly the concepts as used in budgetary control	3
	1.2.2 Tools of budgetary control	Clarify the tools used in budgetary control	1
	1.2.3 Advantages of budgetary control	Enumerate the advantages of budgetary control	3
	1.2.4 Process of budgetary control	Describe the budgetary control process	2
1.3 End unit assessment			3

Lesson 1: Budget.

a) Learning objective

- Define clearly the budget concepts as used in budgeting.
- Explain the advantages, importance and disadvantages of budget.
- Outline the skills needed for budget preparation
- Explain the stages in budgeting process
- Explain techniques in budgetary process
- Classify the budgets as used in organizations
- Explain clearly approaches to budgeting
- Explain clearly the characteristics of good budget
- Present the hierarchy of budget in an enterprise
- Prepare effectively the budget
- Enumerate the Impact of external and internal factors on budget.

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, students' books, internet, flip charts, markers, case studies and any other trusted and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction

Students have the basic knowledge on Computation of costs and forecasting of income and expenditure and can relate it on how to prepare the budget and budgetary control. That will help them to implement the activity in an organization.

d) Learning activities

Activity 2.1.

- Help students to form small groups as possible.
- Ask them to observe the picture.
- Guide students while they are discussing on the picture
- Distribute the flip charts, markers and pens into formed groups.
- Ask the group representatives to present their observations
- Give them constructive feedback

Possible Answers to learning activity 2.1.



1. The main stages in budgeting are budget formulation, budget approval, budget execution and budget oversight/ control.

e) Application Activity 2.1

- Help students to form groups accordingly
- Guide them where they do not understand
- Each group should have time to present to their classmates
- Give them constructive feedback

Possible Answers to Application Activity 2.1.



1. Hierarchy of budget in given business
 - Sales budget
 - Production budget and budgeted stock levels
 - Direct materials usage budget
 - Direct materials purchase budget
 - Direct labor budget
 - Factory overheads budget
 - Administration overheads budget
 - Selling and distribution overheads budget
 - Departmental budgets
 - Master budget
 - Cash budgets
 - Profit and loss accounts and balance sheets

2. External factors of budget include; seasons/ climates changes, inflation, social factors, political legislation
3. Production budget

	P	<u>Product</u> Q
Sales (units)	3000	7000
+closing stock	1500	2500
-opening stock	<u>2000</u>	1800
	2500	<u>7700</u>

Details	Planned in FRW	Actual results in FRW	Variance in FRW
Production (bricks)	100,000*50= 5,000,000	120,000*50= 6,000,000	1,000,000
Labor cost	180,000	150,000	(30,000)
Raw materials	100,000	120,000	20,000
Overhead expenses	80,000	160,000	(80,000)

Advise: Even if the periodic result is positive but production department should reduce the

overhead expense for getting more profit.

Lesson 2: Budgetary control

a) Learning objectives

- Define clearly the concepts as used in budgetary control
- Clarify the tools used in budgetary control
- Enumerate the advantages of budgetary control
- Describe the budgetary control process

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, students' books, internet, flip charts, markers, case studies and any other trusted and reliable resources to enhance learning,

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

As a studied earlier in income and expenditure and Budget (S6, Unit 1,2), students, under the guidance of the teacher, discuss forecasting of Income and Expenditure and the importance of budget in monitoring budgetary control.

d) Learning activities

Activity 2.2

- Help students to form small groups
- Ask them to read the case scenario
- Guide them while they are discussing
- Distribute the flip charts and markers
- Ask the group representatives to present their results
- Give them constructive feedback

Possible Answers to learning activity 2.2.



1. The meeting has the objective of controlling the budget plans
2. With calculation, the current results are different from the planned; hence the variance.

d) Application Activity 2.2.

- Request students to form group
- Distribute the printed application sheets
- Guide students in discussion
- Help them to understand the question
- One of group representatives presents its results and help the whole class to make conclusion.
- Give them a clear and constructive feedback

Possible Answers to application activity 2.2.



- 1. The main advantages of budget are:** efficiency and improvement in the working of organization, easy way of communicating the plans to the various units of organization, assigning the responsibilities through establishing the divisional, departmental or sectional budgets, minimizing the possibilities of buck passing.
- 2. The main disadvantages of budget are:** Conflict between employees arises because of competition for resource allocation, budgets are perceived by the work force as pressure devices imposed by to management, the pressure in the budgeting system may result in inaccurate record keeping; manager may overestimate cost in order that they will not be held responsible.

2.6. Summary of the unit

This unit summarizes the budget and budgetary control; budget is financial plan which acts as a guide to achieve the pre-determined targets. It is a comprehensive and coordinated plan, expressed in financial terms, for the operations and resources of an enterprise for some specific period in the future, budgetary control means regularly comparing actual income/expenditure to planned income/expenditure to identify whether or not corrective action is required.

2.7. Additional information for teachers

The teacher is recommended to use additional exercises on budget and budgetary control in order for more comprehension. This will emphasize strengthening teaching and learning about capturing about budget and budgetary control in an organization.

SKILLS LAB 2



With this skills lab, learner will be able to prepare the budget.

▪ Guidance to the Lab:

In conducting the skills lab activity, trainer can ask student to prepare the budget using the data observed from the given documents

- **Build**

- Given the skills lab from the students' book by sharing them the printed guidance.
- Form mixed manageable groups from class.
- Let each team have the secretary or representative (note taker, time keeper, presenter)
- Ensure they have papers where to write the necessary notes from the findings.

- **Practice**

- Give them clear instruction on what they have to do, by when and how.
- Ensure that the questions, data given are clear and understandable to everyone.
- Move around the groups as you provide necessary clarifications and guidance.

- **Present**

- Randomly, choose any one team' representative to present their findings.
- Allow students remaining to ask questions for more clarification

- **Conclusion**

- Teacher emphasizes on the objective on the skills lab reminding students that they have to use knowledge and skills acquired in correction if errors.
- Give necessary constructive feedback as you conclude the lesson.

2.8. End unit assessment

End unit assessment



- Give clear and concise instructions
- Invigilate the assessment
- Collect the assessment sheet
- Give clear and concise constructive feedback

2.9. Additional activities

Answers to end unit assessment activities



1. **A** Response by True or False
 - a. False
 - b. True
 - c. False
 - d. True
 - e. False
2. The characteristics of good budgets are: Participative, Comprehensive, Standardized,
3. Flexibility, Feedback, Analysis of costs and Revenues, periodic. Types of budget according to function are: cash budget, purchase budget, sales budget, labour cost budget, direct raw materials budget, production budget.
4. Disadvantages of budget are: Budgets are perceived by the work force as pressure devices imposed by to management. This can have an adverse effect on labour relations
 - The pressure in the budgeting system may result in inaccurate record keeping.
 - Departmental conflict arises because of competition for resource allocation
 - They are based on assumed conditions and relationship that are not varied to reflect the actual circumstances that come about.
 - Manager may overestimate cost in order that they will not be held responsible in future for over spending.
 - Uncertainties can occur in the system.
 - Budgets are developed around existing organization structures which may be inappropriate for current conditions
- 5 The approaches used in budgeting are :
 - Incremental Budgeting
 - Rolling / Revolving / Continuous
 - Zero-Based Budgeting (ZZB) or Priority budgeting
 - Activity Based Budgeting (ABB)
 - Self-Imposed Budgeting (SIB)
 - Bottom up approach
 - Top – down approach

Remedial activities



➤ Questions

1. Define the following terms as used in budgeting system

- a. Budget
- b. Budget manual
- c. Budget control

2. Respond by True or False

- a. Scanning the organizational environment is one of the main budgeting processes.
- b. Budget is the same as budgeting
- c. Budgeting cycle comprises of four stages i.e formulation, approval, execution and evaluation.
- d. There are different approaches to preparing budget including incremental, zero-based, activity-based and performance budgeting.
- e. Which of the following is an advantage of zero-based budgeting?
 - Remove inefficiencies
 - Simple
 - Quick to administer
 - Cheap

➤ Answers

1. Definition of key Terms

a. Budget: is a financial and quantitative statement, prepared and approved prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective.

b. Budget manual: Is a book containing charts of organization, details of budget procedures, account codes for items of expenditure and revenue, timetables of process, clearly defines the responsibility of persons involved in the budgeting system.

c. Budget control: is the process of preparing budgets for the future period, comparing the standards set by the budget with the actual performance, finding out the reasons for the differences in performance, and taking corrective actions.

2. Respond by True or False

- a. False
- b. False
- c. True
- d. True
- e. The following is advantage of zero-based budgeting.

<input type="checkbox"/> Remove inefficiencies	True
<input type="checkbox"/> Simple	False
<input type="checkbox"/> Quick to administer	False
<input type="checkbox"/> Cheap	False

Consolidation activities

▪ Questions

1. Outline the stages carried out in budget execution
2. Discuss the internal factors of budget.

▪ Answers:

1. Budget execution is a process focusing on the authorization stage, the commitment stage, the verification stage, Payment authorization or payment order stage, Payment stage and accounting stage.
2. Internal factors on budget means the variables under the control of the business that can change or influence (positively or negatively) the specific budget for given period of time. Internal factors include values, organizational structure, culture and management style, human resources, labor unions, and physical, technological resources, plant capacity and receipt and payment.

Extended activities

▪ Questions

The following are budgeted expenses for the production of 10,000 units

Expenses	Per Unit (FRQ)
Material	60
Labor	30
Variable overheads	25
Fixed overheads (FRW 150,000)	15
Variable Expense (Direct)	5
Selling expenses (10% fixed)	5
Administration expenses {FRW 50,000 fixed)	5
Distribution expenses (20% fixed)	5
Total	150

Prepare a budget for the production of 8,000 units, and 6,000 units

▪ **Answer:**

Particulars	10,000 Units		8,000 Units		6,000 Units	
	Per Unit	Total in FRW	Per Unit	Total in FRW	Per Unit	Total in FRW
Material	60	600,000	60	480,000	60	360,000
Labour	30	300,000	30	240,000	30	180,000
Variable overheads	25	250,000	25	200,000	25	150,000
Variable Expense (Direct)	5	50,000	5	40,000	5	30,000
Semi Variable cost						
Selling expenses (10% fixed)						
Variable (90%)	4.5	45,000	4,5	36,000	4,5	27,000
Fixed (10%)	0.5	5,000	0,625	5,000	0,833	5,000
Distribution expenses (20% fixed)						
Variable (80%)	4	40,000	4	32,000	4	24,000
Fixed (20%)	1	10,000	1,25	10,000	1,667	10,000
Fixed Cost						
Fixed overheads	15	150,000	18.75	150,000	25	150,000
Administration expenses	5	50,000	6,25	50,000	8,333	50,000
			155.37		164.33	
Total	150	1,500,000	5	1,243,000	3	985,998

UNIT 3

ANALYSIS OF TYPES OF BUDGET ACCORDING TO FUNCTION

3.1. Key Unit competence:

Analyze the rationale behind different types of budget

3.2. Prerequisite (knowledge, skills, attitudes and values)

During this unit, students need to revise some contents studied in previous lessons. The computation of costs senior 4 unit 7, forecasting income and expenditure senior 6 unit 1, cost behaviors analysis in (senior 5 unit 2) This unit requires to go back and read again the cost statement and cost ascertainment, forecasting of income and expenditure and budget and budgetary control in order to analyze types of budget according to its function.

3.3. Cross-cutting issues to be addressed

Note: The examples below are just to guide you on how to address cross-cutting issues throughout the unit but this does not mean that these are the only ones. You can address and give students opportunities to discuss all the crosscutting issues where possible taking consideration of their environment or community.

- a) **Gender education:** Emphasis throughout this unit has to be put on how both male and females have the same opportunities when it comes to generating business ideas and opportunities, there are no ideas/opportunities specifically reserved or meant for a particular gender but they can all choose whatever ideas they feel capable of.
- b) **Inclusive education:** In addition to all having equal opportunities to study, emphasis has to be put on how we all regardless of our background, economic or social setup have right to study that do not discriminate as our needs are the same. students need to understand that this unit should not discriminate but promote inclusiveness of all...etc.
- c) **Financial Education:** For example, in setting personal goals, learners may be requested to analyse type of budget according to function in any manufacturing company for avoiding unnecessary expenses and maximize earning profit which can motivate students to plan to achieve

their saving goals. Learners may describe strategies to reduce spending and increase savings to become financially fit. In every lesson, learners can share briefly their progress towards their goals: how much, strategies that worked and what needs to improve on. While looking at financial management and institutions, learners need to appreciate the need for managing their finances and proper ways of managing their finances such as opening a bank account among others.

d) Peace and Values: Right before the lesson begins; there are quite a lot of opportunities for teachers to promote peace and values among learners. Being punctual for activities (time management), involvement in various activities (teamwork), keeping their school environment clean (responsibility), greeting one another are among such opportunities (empathy). In a lesson encourage learners to greet one another, create a conducive learning environment, clean the chalkboard, arrange the classroom, assist one another with pens, books, class work, among others. Also, in case of conflicts within a lesson, take time to address the conflicts and discuss with learners the need to resolve conflicts amicably. You may also give learners an opportunity to participate in conflict resolution among themselves

3.4. Guidance on introductory activity

This introductory activity intends to arise students' attention and interest on budget and budgetary control for well management of any investment.

- Guide students to read carefully introductory activity from the text book
- Guide them to work in pairs
- Specify the objective, time and ways to do it.
- Have some pairs make presentations
- Give to them constructive feedback and guide towards the lesson

3. Revised budget monitoring report

	Product A	Product B	Product C	Product D
Estimated Sales	3000	2000	2500	4000
Add: Estimated closing Stock	1000	600	1500	500
	4000	2600	4000	4500
Less: Estimated opening Stock	500	100	500	1000
Estimated Sales	3500	2500	3500	3500

3.5. List of lessons and lessons development

Headings	Sub-heading	Learning objectives (from the syllabus or set according to the lesson title)	Number of periods
3.1 Sales budget analysis	1.1.1 Factors of sales budget	Describe the sales budget	5
	1.1.2 Calculation/presentation of sales budget		2
	3.1.3 Interpreting results and Advising the management		5
3.2 Purchase budget analysis	3.2.1 Factors of purchase budget	Describe the Purchase budget	2
	3.2.2 Calculation/presentation of purchase budget		5
	3.2.3 Interpreting results and Advising the management		5
3.3 Cash budget	3.3.1 Factors of cash budget	Describe the cash budget	4
	3.3.2 Calculation/presentation of cash budget		4
	3.3.3 Interpreting results and advising the management		4
3.4. End unit assessment			4

Lesson 1: Sales budget analysis

a) Learning objective

- Describe the sales budget

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, students' books, internet, flip charts, markers, case studies and any other trusted and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction

Students have the basic knowledge on Computation of costs, forecasting of income and expenditure and budget and budgetary control without to known

how to analyse the according to its functions. That will help them to implement the activity in an organization.

d) Learning activities

Activity 3.1.

- Help students to form small groups as possible.
- Ask them to read carefully the scenario above.
- Guide students while they are discussing on the scenario
- Distribute the flip charts, markers and pens into formed groups.
- Ask the group representatives to present their observations
- Give the constructive feedback

Possible Answers to learning activity 3.1



1. The sales budget is mainly composed by quantity and selling price to give the revenues expected during the period
2. The company prepares the sales budget to determine how much revenue expected to generate from their products and services for specific period of time.

d) Application Activity 3.1

- Help students to form groups accordingly
- Guide them where they do not understand
- Each group should have time to present to their classmates
- Give constructive feedback

Possible Answers to Application Activity



The cash budget for the six months ending 31st March 2024

Details	October in million FRW	November in million FRW	December in million FRW	January in million FRW	February in million FRW	March in million FRW
Opening balance	7.00	(0.60)	(5.20)	(8.80)	(9.40)	(13.00)
Receipts						
Receivables	-	-	3.00	6.00	6.00	10.50
Total inflow	7.00	(0.60)	(2.20)	(2.80)	(3.40)	(2.50)
Payments						
Suppliers	5.00	2.00	4.00	4.00	7.00	7.00
Running expenses	1.60	1.60	1.60	1.60	1.60	1.60
Drawings	1.00	1.00	1.00	1.00	1.00	1.00
Total outflow	7.60	4.60	6.60	6.60	9.60	9.60
Closing balance	(0.60)	(5.20)	(8.80)	(9.40)	(13.00)	(12.10)

Lesson 2: Purchase budget analysis:

a) Learning objectives

- Describe the Purchase budget

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, students' books, internet, flip charts, markers, case studies and any other trustworthy and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

As they have studied forecasting of income and expenditure and Budget (S6, Unit 1,2), students, under the guidance of the teacher, discuss forecasting of income and expenditure, budget and budgetary control which conducting to analyze types of budget according to function.

d) Learning activities

Activity 3.2

- Help students to form small groups
- Ask them to read carefully the case scenario
- Guide them while they are discussing
- Distribute the flip charts and markers
- Ask the group representatives to present their results
- Give them constructive feedback

Possible Answers to learning activity 3.2.



Answers:

Production budget

	Product	
	P	Q
Sales (units)	3000	7000
+closing stock	1500	2500
-opening stock	2000	1800
	2500	7700

A production budget contains the amount of inventory that a company must produce during a budget period. The quantity stated in the budget is the volume needed to ensure that there is sufficient inventory on hand to meet customer orders for products. The production budget is based on the number of units expected to be sold in the budget period.

Application Activity 3.2.

- Request students to form group
- Distribute the printed application sheets
- Guide students in discussion
- Help them to understand the question
- One of group representatives presents its results and help the whole class to make conclusion.
- Give them a clear and constructive feedback

Possible Answers to application activity 3.2.



a) Production budget (July to December 2019)

Details period	July	August	September	October	November	December	Total
Estimated sales	2200	2200	3400	3800	5000	4600	21200
+ Stock at the end	1100	1700	1900	2500	2300	2000	11500
Available stock	3300	3900	5300	6300	7300	6600	32700
stock at beginning	1110	1110	1700	1900	2500	2300	10600
Production required	2220	2800	3600	4400	4800	4300	22100

b) Production cost budget for the same period of 2019

Details /Period	Rate	July	August	September	October	November	December	Total
Direct materials	FRW 10	22,000	28000	36,000	44,000	48,000	43,000	221000
Wages	FRW 4	8,800	11200	14,400	17,600	19,200	17,200	88400
Factory overheads	FRW 2	4,400	5,600	7,200	8,800	9,600	8,600	44200
Total cost		35,200	44,800	57,600	70400	76800	68,800	353600

We recall **Factory overhead per unit = FRW88,000 / 44,000 units = FRW2 per unit**

Lesson 3: Cash budget

a) Learning objectives

- Describe the cash budget

b) Teaching resources

Basic materials for a class/ lesson to be conducted: Desks, students' books, internet, flip charts, markers, case studies and any other trusted and reliable resources to enhance learning.

c) Prerequisites/Revision/Introduction (Guidance on how to start the lesson)

As already studied in cash management (S5) and Forecasting of income and expenditure and Budget (S6, Unit 1,2,3). Students, under the guidance of the teacher, discuss forecasting of Income and Expenditure, cash management and budget and budgetary control which guide students to discuss how to prepare cash budget.

d) Learning activities

Activity 3.3

- Help students to form small groups
- Ask them to read the case study
- Guide them while they are discussing
- Distribute the flip charts and markers
- Ask the group representatives to present their results
- Give them constructive feedback

Possible Answers to application activity 3.3.



	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
RECEIPTS							
Bal B/f	180,000	153,000	203,000	274,000	345,000	437,000	440,000
RECEIPT FROM SALES	159,000	166,000	187,000	197,000	188,000	182,000	192,000
SHARE CAPITAL	-	-	-	-	40,000	-	-
COMPENSATION					20,000		
RECEIVED							
TOTAL	339,000	319,000	390,000	471,000	593,000	619,000	632,000
PAYMENTS							
payments to creditor	110,000	90,000	90,000	80,000	130,000	140,000	60,000
administration expenses	26,000	26,000	26,000	26,000	26,000	26,000	26,000
Corporate tax	-	-	-	20,000	-	-	-
Retention money	50,000	-	-	-	-	-	-
Equipment						13,000	
Total	186,000	116,000	116,000	126,000	156,000	179,000	
Bal C/f	153,000	203,000	274,000	345,000	437,000	440,000	546,000

WORKINGS

1. Suppliers are paid one month after the delivery of goods

May-purchases will be paid in June and so on

2. Receipts from sales

<u>JUNE</u>	<u>JULY</u>	<u>AUGUST</u>
60% of june sales 96,000	60% of july sales 102,000	60% of 120,000
30% Of may sales 48,000	30% Of june sales 48,000	30% of july 51,000
10% of april sales 15,000	10% of may sales 16000	10% of June sales 16,000
<u>SEPTEMBER</u>	<u>OCTOBER</u>	<u>NOVEMBER</u>
60% of sept sales 120,000	60% of Oct sales 108,000	60% of nov sales 108,000
30% of Aug sales 60,000	30% of sep sales 60,000	30% Of Oct sales 54,000
10% of july sales 17,000	10% of aug sales 20,000	10% of sep sales 20,000
=197000	=188000	=182000
<u>DECEMBER</u>		
60% of December sales 120,000		
30% of nov sales 54,000		
10% of oct sales 18,000		
=192000		

The monthly administration expenses are FRW 33,000 which include factory depreciation of FRW 4,000 and preliminary of FRW 3,000. These two charges (i.e FRW

7,000=4000+3000) do not involve cash payment so cash paid every month is FRW 26,000(FRW 33,000 less FRW 7,000)

Application Activity 3.3

- Request students to form group
- Distribute the printed application sheets
- Guide students in discussion
- Help them to understand the question
- One of group representatives presents its results and help the whole class to make conclusion.
- Give them a clear and constructive feedback

Possible Answers to application activity 3.3.



Working Note 1:

25 % of the sales('000) is for cash, remaining 75% of the sales are credit and will be collected in the month following that of sales.

Sale in March		Sale in April		Sale in May		Sale in June		Sale in July	
40		46		50		72,		84	
25% Cash Sales	75% Credit Sales	25% Cash Sales	75% Credit Sales	25% Cash Sales	75% Credit Sales	25% Cash Sales	75% Credit Sales	25% Cash Sales	75% Credit Sales
10	30	11,5	34,5	12,5	37,5	18	54	21	63,000
Collection from Debtors		30		34,5		37,5		54	

Working Note 2.

Credit period allowed by the suppliers two month.

	March	April	May	June	July	August	September
Purchases ('000)	24,	28,	32,	36,	40		
Amount Paid			24,	28,	32	36	40

Working Note 3: Delay in payment of wages and all others expenses is: One month

Expenses	March	April	May	June	July	August
	FRW	FRW	FRW	FRW	FRW	FRW
Wages	6000	6500	6,500	7000	7,250	
Factory expenses	3,000	3,500	4,000	4400	4,250	
Office expenses	4,000	4,000	4,000	4,000	4,000	
Selling expenses	3000	3,500	3,500	4,000	4,000	
To be paid on		6000	6,500	6,500	7000	7,250
		3,000	3,500	4,000	4400	4,250
		4,000	4,000	4,000	4,000	4,000
		3000	3,500	3,500	4,000	4,000

Expenses	March	April	May	June	July	August
	FRW	FRW	FRW	FRW	FRW	FRW
Wages	6000	6500	6,500	7000	7,250	
Factory expenses	3,000	3,500	4,000	4400	4,250	
Office expenses	4,000	4,000	4,000	4,000	4,000	
Selling expenses	3000	3,500	3,500	4,000	4,000	
To be paid on		6000	6,500	6,500	7000	7,250
		3,000	3,500	4,000	4400	4,250
		4,000	4,000	4,000	4,000	4,000
		3000	3,500	3,500	4,000	4,000

Cash budget for the three months May to July

Particulars	May FRW	June FRW	July FRW
Opening cash balance	30,000	25,500	35,000
Add: Receipts			
Cash sales	12,500	18,000	21,000
Collections from debtors	34,500	37,500	54,000
Total Receipts	77,000	81,000	110,000
Less Payments			
Payments to creditors	24,000	28,000	32,000
Wages	6,500	6,500	7,000
Factory expenses	3,500	4,000	4,400
Office expenses	4,000	4,000	4,000
Selling expenses	3,500	3,500	4,000
income Tax	-	-	10,000
Preference dividend	10,000		
Total Payments	51,500	46,000	61,400
Closing Cash Balance	25,500	35,000	48,600

3.6. Summary of the unit

This unit summarizes the types of budget according to function. These budgets are prepared for each function and they contribute to the master budget. The number of functional budget depends upon the size and nature of the business.

The production budget is prepared for making a plan of production e.g., quantity

of production, cost of production, type of products, plant capacity, operating cycle, availability of inputs. Production budget is generally based on sales budget, The sales budget is a statement of planned sales in quantity and value both. In sales budget, sale is forecasted during the budget period. Purchase budget is prepared for every purchase item to be purchased in each department. The purchase manager is entrusted with the responsibility of making this budget. This budget enables the purchase department to make bulk purchases.

Production cost budget is prepared to show the cost of production for the units of budgeted production. It is also known as manufacturing cost or work cost budget and includes cost of material, cost of labor, cost of direct expenses and factory overheads. all those budgets summarize the money used in cash budget.

3.7. Additional information for teachers

The teacher is recommended to use additional exercises on type of budget according to function in order for more comprehension. This will emphasize strengthening teaching and learning about capturing about types of budget in an organization.

SKILLS LAB 3

With this skills lab, learner will be able to prepare and analyse some type of budget.

a) Guidance to the Lab:

In conducting the skills lab activity, trainer can ask student to prepare the cash, purchase and sales budget from the data given by the business visited.

a) Build

- Given the skills lab from the student book by sharing them the printed exercises
- Form manageable groups from class and remember to mix both boys and girls.
- Let each team have the secretary (note taker, timekeeper, presenter)
- Ensure they have where to write the necessary notes from the findings

b) Practice

- Give them clear instruction on what they have to do, by when and how.
- Ensure that the questions are clear and understandable to everyone.
- Move around the groups as you provide necessary clarifications and guidance.

c) Present

- Randomly, choose any one team' representative to present their findings.
- Allow students remaining to ask questions for more clarification

d) Conclusion

- Teacher emphasizes on the objective on the skills lab reminding students that they have to use knowledge and skills acquired in correction if errors
- Give necessary constructive feedback as you conclude the lesson.

3.8. End unit assessment

- Distribute assessment sheets to the students
- Give clear and concise instructions
- Invigilate the assessment
- Collect the assessment sheet
- Give clear and concise constructive feedback

Proposed Answers to end unit assessment activities

According to the function the budget is classified into:

1. Sales budget concerning the preparations of estimated sales for specific period of time.

Purchase budget looking into the different outflow on the materials to be bought for further use in production process.

Cash budget describes the cash expected to be received and the amount needed to pay for in a specific period of time.

2. Incremental budgeting is a method of setting budgets whereby the latest period is used as bas for preparing the budget for the forthcoming period. Adjustments are made for any expected changes, for examples changes in staffing levels or in the level of activity.

Incremental budgeting may be appropriate for government department to budget for office rent because the rent cost for the forthcoming period may be estimated on the basis of the current rent plus an incremental for the annual rent increase.

Incremental budgeting might not be appropriate for budgeting for advertising expenditure in relation to a new health initiative because such expenditure is not so easily quantifiable and is more discretionary in nature. Using incremental budgeting for advertising expenditure could allow slack (unnecessary expenditure) and wasteful spending to creep into the budget. Simply adding an increment to the current years' budget does not force managers to question whether the current **level of expenditure is necessary**. Furthermore, there will be a tendency for the relevant manager to ensure that the current budget is spent, in case the allowance is removed for the forthcoming year, if it is not spent this year.

	Original budget for July to December 2021 (FRW m)	Profiled budget for July to December 2021 (FRW m)	Actual expenditure for July to December 2021 (FRW m)	Variance (Frw)
Water	425	213	213	0
Energy	1,278	958.5	958.5	0

1,704m/2=FRW426m) rather than according to the proportions of the contract:

Water $1,704m \times \frac{1}{4} = 426m$

Energy $1,704m \times \frac{3}{4} = 1,278m$

Water

The water contract is payable in equal amount each month:

$426/12 = 35.5m$ payable per month

$35.5m \times 6 = 213m$ profiled budget for July to December

Energy

The energy budget is payable in four equal instalments in July, September and March. The timing of those payments need to be reflected in the budget profile as there are actually three instalments due in the six month period July to December.

$1,278\text{m}/4=319.5$ m per instalment

Three instalments payable in July to December so profiled budget = $319.5*3=958.5$

The revised budget monitoring report for July to December including the profiled budget now reports nil variances for both energy and water.

3.9.Additional activities

Remedial Activities

Questions:

1. Outline the types of budget according to the time.
2. Given the business “ICYEREKEZO Plc” accounting documents, showing the production and sales of cassava breads; where the planner is about to increase the quality of products through the good management of budget. The sales manager wants to sell certain units of kg of cassava breads for getting Frw 1,000,000. How much kg of cassava will be bought at FRW20 if using 10kg of cassava, production process provides 25kg of cassava breads and selling price is FRW 500/kg, the total overhead for production process is Frw 140,00.

Answers:

1. According to time the budget is classified into:
 - a. Monthly budget
 - b. Quarterly budget
 - c. Semi-annually budget
 - d. Annually budget
2. Quantity to sell = $\text{FRW } 1000000 / \text{FRW } 500 = 2000\text{kg}$
Quantity to purchase = $(10\text{kg} * 2000\text{kg}) / 25\text{kg} = 800\text{kg}$
Budgeted amount = $(800\text{kg} * 20) = \text{FRW } 16000 + 14000\text{FRW} = \text{FRW } 30000$.

Consolidated activities

1. How does a cash budget present the prior to the other functional business budget?
2. The following information regards the budgeted and actual production for the six months ending 31 December 2019 has been provided from Nashuli Plc operating as computer manufacturing business.

Details /Particular	Rate	Units (Budgeted)	40,000	Units 50,000 (Actual)
Material consumed	45,000 units	135,000		55,000 units = 190,000
Wages	@3 hrs. per unit @ FRW 1.5 per hr.	180,000		245,000
Variable Overhead	@ FRW 2 PU	80,000		125,000
Fixed Overheads		75, 000		100,000
Total		470,000		660,000

Additionally

During the budgeted period:

- Production is expected to increase to 60,000 units
- The prices of materials are expected to increase further in the same manner as they had increased over the budgeted price
- Labor charges are expected to increase by 50 pairs per hour above the actual rate shown above
- Efficiency is expected to decline by 20%
- Fixed overheads are expected to increase by 10%

Prepare

- a) Production budget for the six months ending 30 June 2019.

Answer:

1. The cash budget is presented as the prior to other functional budgets because it presents the flow of cash to be used and generated by all other activities planned from throughout remaining businesses budget.
- 2. Presentation of production budget**

Details	Budget 6 months, ending December 2019		Actual 6Months, Ending December 2019		Budget 6 Months, ending June 2020	
	Rate per unit	Total	Rate per unit	Total	Rate per unit	Total
Production level		40,000		50,000		60,000
Material	45,000*3	135,000	55,000*3	165,000	65,000*3.978	258,750
Wages	3hrs*1.50	180,000	3hrs*1.633	245000	3hrs.36*2.133	460,728
Variable overheads	2*4,000	80,000	2.5*500	125,000	2.75*60,000	165,000
Fixed overheads		75,000		100,000		120,000
Total		470,000		660,000		1,004,298

We note:

1. Material cost increase is 15% over budget figures. For the six months ending June 2020, an increase of 15 over Frw 3,455 is assumed.
2. Efficiency decrease by 20% leads to 20% more time, it means 36 minutes. The total time required is 216,000 hrs. Per hr. rate increases by Frw 0.50 to Frw 2.133.

Extended activities

1. Discuss the challenges facing the budget and budgetary control

Answer:

The following are the challenges faced the budgeting process.

Prediction of Uncertain Future:

Budgeting is a process of forecasting and estimation. Forecasting may not be accurate. Therefore, budgets based on inaccurate forecasts and estimates may not be accurate and effective.

a) Changes of Conditions:

Budgets are prepared on the basis of certain prevailing conditions. If the conditions change budgets are also to be revised. Constant changes in budgets may frustrate the employees and the charm in budgeting and implementation may be lost.

b) Complacency:

General tendency of employees is to achieve the targets as budgeting fixes the targets. Some of the employees who are highly skillful may also be satisfied in performing up to the goals set without showing full potential, which will be a loss to the enterprise as well as the employee in terms of productivity.

c) Difficulty in Coordination:

Effective implementation of budgetary control depends upon proper coordination among various departments as the performance of a department depends on the work of other departments and vice versa. It requires budgetary officer to oversee the integration of various activities to successfully implement the budgets. Ineffective coordination leads to inefficient performance.

d) Conflict among Different Departments:

UNIT 4 | STANDARD COSTING

4.1. Key unit competence:

To be able to control account using Standard Costing

4.2. Prerequisite (knowledge, skills, attitudes and values)

The Students have already acquired the basic knowledge of budget and budgetary control which will facilitate understanding this unit.

4.3. Cross-cutting issues to be addressed:

Gender education:

The teacher should bear in mind that everyone, girls and boys have equal opportunities and right to study. Therefore, when forming group activities, assigning tasks and responsibilities, asking questions, and giving feedback, the teacher should include both girls and boys.

Financial education:

Teacher and students should know that resources and materials used in teaching and learning activities must not be mismanaged. This issue will also be addressed when introducing the standards costing and its main purpose, which can also be helpful in using resources effectively. Students will put in mind that misusing materials is wasting money.

Inclusive education:

To make teaching and learning process inclusive, the teacher must understand individual differences and consider them when the organizing and setting teaching and learning activities. Teacher will use teaching approaches, methods and techniques that cater for students' diversities and encourage them to maximize their full potential in classroom.

Peace and value education:

Through teaching and learning, the culture of peace and values should be promoted. In group, students learn to share resources and ideas with respect. They also learn to solve their problems in a peaceful manner.

Environmental sustainability:

While teaching, both teacher and students should keep in mind that protecting the environment is everyone’s responsibility.

Genocide studies:

Teacher and students should understand the circumstances leading to the genocide and remarkable story of recovery and re-establishing national unit. They must comprehend their role in ensuring that genocide never happens again.

4.4. Guidance on the introductory activity

- From the groups of three to four students
- Invite students to read the scenario from student book, share ideas and then answer related questions
- Guide the students’ discussions
- Ask student to present their findings
- Supplement student’s presentations and link student’s answers on the new lesson

Possible answer to introductory activity

1. a. standard costing
2. Standard costing is used
 - to estimate the required costs of a production process
 - to help a business to plan a budget
 - to Help managers focus on important issues

List of lessons and lesson development

Heading	Lesson title	Learning objectives	Number of periods
4.1 Introduction to standard costing	4.1.1. Definition of Standard Costing	Clearly explain the standard costing and its element as used in budgeting	2

	<p>4.1.2. Standard Costing Steps:</p> <ul style="list-style-type: none"> a. Setting the standard b. Ascertaining actual results c. Comparing Standard and actual results d. Determination causes e. Investigate variance 		2
	<p>4.1.3. Purpose of Standard Costing</p>		2
	<p>4.1.4. Advantages and Disadvantages of Standard Costing</p>		2
	<p>4.1.5. Types of Standard Costing</p> <ul style="list-style-type: none"> a. Ideal standard b. Basic standard c. Expected standard d. Current Standard e. Normal standard 		2

4.2. Comparison between budgetary Control and Standard Control	4.2.1. Similarities between budgetary control and Standard Costing	Clearly explain the difference between standard costing and budgetary control	2
	4.2.1. Difference between budgetary control and standard costing		2
4.3. Using Standard Costing in budgetary Control	4.3.1. Use of Variance in budgetary	Clearly explain the use of standard costing in budgetary control	3
4.4 End unit Assessment			3

Lesson 1: Introduction to Standard Costing

a) Learning objective

- Explain the standard costing
- Explain the standard costing steps
- Explain the purpose of standard cost
- Explain the advantages and disadvantages of standard costing
- Explain the types of standard costing

b) Teaching resources

Computers (Desktops & laptop), projectors, textbooks, internet, markers, pens, and chalkboard

c) Prerequisites/Revision/Introduction:

The purpose of standard costing is a tool for planning budget, managing and controlling costs and evaluating costs management performance.

A standard costing system involves estimating the required costs of a production process.

d) Learning activities

Activity guidance 4.1

- Invite student to read individually the question in the student book and work in pairs to share with the classmate
- Make some pairs make presentations
- Provide them constructive feedback

Possible answers to learning activity 4.1



1. Standard costing: is the process of estimating the cost of a production process or product.
2. The benefits of standard costing in the company are:
 - It allows for cost control
 - It helps management make decisions
 - It helps to prepare accurate budgets
 - It helps to use a lower amount of production costs
 - Allows managers to delegate
 - Makes it easy to apply management by exception (MBE)

e) Application activities 4.1

- -Invite student to read, discuss in pairs in the application activities in student books.
- -Have some pairs to present their findings
- -Ask other pairs to supplement
- -Give them constructive feedback

Possible answers to application activity 4.1



1. Multiples choice questions:

1.a ,2.a ,3.d ,4.a ,5.a ,6.b ,7.a ,8.a

9. standard costing is a technique of cost accounting which determines the predetermined cost per unit of production or service and compares the standard cost of each product or service with actual cost to determine the efficiency of the operation so that any remedial action may be taken immediately.

10. -Setting standard
 - Determine the actual cost
 - Comparison of actual value cost and standard cost
 - Determine of causes
 - Investigation the variance
11. -Tools for planning budget
 - Managing and controlling costs
 - Evaluating cost management performance.
- 12.a) Five advantages of standard costing
 - It aids price setting
 - It serves as basis for inventory valuation
 - It reduces wastages
 - It is used in planning, budgeting and in decision making
 - It is used for the measurement of profit

It can be used for performance evaluation

It can be used for motivation of managers and staff.

b) Five disadvantages of standard costing are:

- The system may not be appropriate to the business
- Standard cost is expensive and unsuitable in job order industries are manufacturing non standardised products
- The staff may not be capable for operating the system
- A business may not be able for operating system

13. -Ideal standard
 - Basic standard
 - Attainable standard
 - Normal standard
 - Current standard

Lesson 2: Comparison between budgetary control and Standard Costing

a) Learning objective

- **-**Explain the Similarities between the budgetary control and standard costing
- **-**Explain the difference between the budgetary control and standard costing

b) Teaching resources

Computers (desktop, laptops), projectors, textbooks, internet, markers, pens and chalkboard

c) Prerequisites /Revision /Introduction

Both standard costing and budgetary control achieve the same objectives of maximum efficiency and cost reduction by establishing a predetermined standard cost.

Both are useful tools for management and controlling cost. Standard costing is a unit concept unlike budgetary control is a total concept.

d) Learning Activity

Activity 4.2.

- Invite student to read individually the question in the student book and work in pairs to share with the classmate.
- Make some pairs make presentations
- Provide them constructive feedback.

Possible answers to learning activity 4.2



Standard costing is a cost accounting system, in which performance is measured by comparing the actual and standard cost. Budgetary control is a control system in which actual and budgeted results are compared continuously in order to achieve the desired results.

e) Application activities 4.2

- Invite students to read, discuss in pairs the application activities in student books.
- Have some pairs to present their findings.
- Ask other pairs to supplement.
- Give them constructive feedback

Possible answers to application activities 4.2



1.a ,2.c ,3.d

4. Simiralties:

- Both are useful tools of management and controlling cost
- Both achieve the same objectives of management efficiency and cost reduction by establishing a predetermined standard

Lesson 3: Using standard costing in budgetary control

a) Learning objective

- Explain the uses of standard costing in budgetary control

b) Teaching resources

Computers (Desktop, Laptops), projectors, textbooks, internet, markers, pens and chalkboard

c) Prerequisite /Revision /Introduction

A standard costing system involves estimating the required costs of a production process. Standard costs are estimates of the actual costs in a company's production process because actual costs cannot be known in advance. This helps a business to plan a budget

d) Learning activity 4.3

- Invite student to read individually the question in the student book and work in pairs to share with the classmate
- Make some pairs make presentations.
- Provide them with constructive feedback

Possible answers to learning activity 4.3



Companies use a Standard Costing set target for production and then compare actual production costs to the target costs. This help the business to control the budget.

e) Application activities 4.3

- Invite students to read, discuss in pairs the application activities in the student books.
- Have some pairs to present their findings
- Ask other pairs to supplement.
- Give them constructive feedback

Possible answers to application activities 4.3



1. Variance is used in budgetary management
 - It helps in decision making
 - It helps project manager in outlining sudden and systematic changes between the amount budgeted for a project and the actual amount spent
2. The usefulness of standard costing in budgetary control are:
 - To estimate the actual costs in company's production process
 - To set target costs for production
 - To compare actual production costs to the target costs

4.6. Summary of the unit

This unit describes the introduction to standard costing, comparison between budgetary control and standard costing and the uses of standard costing in budgetary control. This is because a standard costing system provides managers with projected idea of spending costs. Once these managers can compare standard costs to actual costs, they will be able to determine if new business practices need to be utilized. In this unit, we will define Standard Costing and its elements, outline its advantages and disadvantages and provide you with the steps to calculate a standard cost. We will also explain the difference between standard costing and budgetary control and the use of standard costing in budgetary control. The main objective of standard costing in budgeting is to achieve maximum efficiency and cost control.

4.7. Additional Information

Standard costing is defined in management accounting as nearly all companies have a budgets,

and many use standard cost calculations to derive product prices so that standard costing will find some uses for the foreseeable future. In particular, Standard costing provides a benchmark against which management can compare actual performance.

SKILLS LAB:



For this lab, learners will be able to control account using standard costing.

▪ **Guidance to the Lab:**

In conducting the skills lab activity, you can ask student to it referring to the worked exercises from student book.

▪ **Build**

Given the skills lab from the student book.

- Remember students on the expected objective from the skills lab attendance
- From manageable groups in your class and remember to mix both boys and girls.
- Let each team have the representative (note taker, time keeper, presenter)
- Ensure they have where to keep necessary notes from the findings
- Share them the printed exercises

▪ **Practice**

- Give them clear instruction on what they have to do, by when and how.
- Ensure that the questions are clear and understandable to each one.
- Move around the groups as you provide necessary clarifications and guidance.

▪ **Present**

- Choose randomly any one team representative to correct the questions
- Allow students to ask questions to their follow

▪ **Conclusion**

- Teacher emphasizes on the objective on the skills lab reminding students that they have to use knowledge and skills acquired in correction if errors
- Give necessary constructive feedback as you conclude the lesson.

4.8. End unit assessment

End unit assessment

1. Planned unit cost
2. a) To value inventories and cost production for cost accounting purpose
b) To act as a control device by establishing standard and highlighting activities that are no conforming to plan and bringing these to the attention of management
3. A
- 4.a) Ideal
b) Basic
c) Attainable
d) Current
- 5.b
- 6.c

4.9. Additional activities

Remedial Activities:

1. State at least four types of standard costing

Possible answer

Ideal standard

Basic standard

Attainable standard

Current standard

Consolidation activities:

1. Discuss the steps of standard costing

Possible answers

- Setting standard
- Determine of actual cost
- Comparison of actual value cost and standard cost
- Determine of causes
- Investigation of variance

Extended activities:

- 1..Two main problems are with using Ideal standard in business are:

Planning- if ideal standards are used for planning purposes it is likely that the results will be inaccurate as the standard does not reflect the reality of the working conditions. Therefore, if labour cost standard is set with no allowance for any inefficiency or idle time in operations the reality is that the operations will take longer or will require more employee than planned for.

Control- If ideal standards are compared to actual costs, then this will always results in adverse variance as the reality is that there will some inefficiencies and wastage. This can be demotivational to managers and employees who will feel that in reality these standards can never be met and therefore they may stop trying to meet them. A further problem with these adverse variances is that they will be viewed as the norm and be ignored meaning that any corrective action that might be required is not taken.

UNIT 5

VARIANCE ANALYSIS

5.1. Key unit competence:

To be able to interpret the variance and advice top management

5.2. Prerequisite (knowledge, skills, attitudes and values)

The students have already acquired to the basic knowledge of budget and budgetary control, and standard costing, which will facilitate understanding this unit

5.3. Cross-cutting issues to be addressed

Financial education: Teacher and student should know that the resources and materials used in teaching and learning activities must not be mismanaged. This issue will also be addressed when introducing the Variance analysis and its main purpose.

Inclusive education: To make teaching and learning process inclusive, the teacher must understand individual differences and consider them when organisation and setting teaching and learning activities. Teacher will use teaching approaches, methods and techniques that cater for students' diversities and encourage them to maximize their full potential in classroom

Peace and Value education: Through teaching and learning, culture of peace and value should be promoted. In group students learn to share resources and ideas with respect. They also learn to solve their problems in peaceful manner.

Gender education: Teacher should bear in mind that everyone, girls and boys have equal opportunities and right to study. Therefore when forming group activities, assigning tasks and responsibilities, asking question, giving feedback the teacher should include both girls and boys.

Environmental sustainability: While teaching, both teacher and students should keep in mind that protecting environment is everyone's responsibility

5.4. Guidance on the introductory activity:

- From the groups of three to four student
- Invite students to read the scenario from student book, share ideas and then answer related questions
- Guide the students' discussions
- Ask student to present their findings
- Supplement student's presentations and link student's answers on the new lesson

Possible introductory activity answer

1. The above report is "budget variance" that shows the difference between the budgeted (sales, cost, profit) and actual results.
2. Budget variance analysis is the practice of comparing actual results to the budget values for the same period and analyzing the variance

5.5. List of lessons and lesson development

Heading	Lesson title	Learning objectives	Number of periods
5.1 Identify significant deviation (Variance)	5.1.1. Meaning of variance	Explain the reasons of Variance in budgeting	1
	5.1.2. Purpose of Variance analysis		
	5.1.3. Structure of budget Variance		2
	5.1.4. Causes of budget Variance		2
	5.1.5 Types of budget variance		2
	5.1.6. Calculation of budget Variance		7
	5.1.7. Reconciliation of budgeted profit and actual profit		7
	5.1.8. Accounting entries of variance		6
		Explain the use of budget control to ensure organization achievement of target	2

5.2. The use of budget control to ensure organization achievement of target	5.2.1. Management efficiency with budget contro	Explain the use of budget control to ensure organization achievement of target	2
5.3. Report and Recommendation to management	5.3.1. Report to management 5.3.2. Recommendation to management	Explain the meaning of report and recommendation to management	2
5.4. End unit Assessment			3

Lesson 1: Identify significant deviation (Variance)

a) Learning objective

- Explain the standard costing
- Explain the standard costing steps
- Explain the purpose of standard cost
- Explain the advantages and disadvantages of standard costing
- Explain the types of standard costing

b) Teaching resources

Computers (Desktops & laptop), projectors, textbooks, internet, markers, pens, and chalkboard

c) Prerequisites/Revision/Introduction:

In unit 4, Standard Costing, students acquired the standard cost and the actual cost that states that a variance is calculated by using that information. These will help students to understand well the calculation of budget variance.

d) Learning activities

Activity 5.1

- Invite student to read individually the question in the student book and work in pairs to share with the classmates
- Make some pairs make presentations
- Provide them with constructive feedback

Possible answers to learning activity 5.1.



1. The company uses standard cost for budgeting because the actual cost cannot yet be determined. This is because manufacturing process, it is impossible to predict the demand of product or all the variables that will affect the cost of manufacturing it.
2. The company must consider the standard cost for materials, labor and overhead

d) Application activities 5.1

- Invite student to read, discuss in pairs in the application activities in student books.
- Have some pairs to present their findings
- Ask other pairs to supplement
- Give them constructive feedback

Possible answers to application activities 5.1



1. Standard time for one unit = $500 \text{ hours} \div 100 \text{ units} = 5 \text{ hours}$
 Standard hour of actual production 85 units = $85 * 5 = 425 \text{ hours}$
 Labour cost Variance = $(\text{std hours of actual production} \times \text{std rate}) - (\text{actual hours} * \text{Actual rate})$
 $= (425 \text{ hours} * 2 \text{ FRW}) - (450 \text{ hours} * 2.10 \text{ FRW})$
 $= (\text{FRW } 850 - \text{FRW } 945)$
 $= \text{FRW } 95 \text{ (U)}$
- 2.

Particular	Standard for 1000 kgs.			Actual for 1000 kgs.		
	Quantity	Rate	Amount	Quantity	Rate	Amount
A	800	6	4,800	750	7	5,250
B	400	4	1,600	500	5	2,500
Total	1,200		6,400			7,750

$$\begin{aligned}
 1) \text{ MCV} &= \text{SC} - \text{AC} \\
 &= 6,400 - 7,750 \\
 &= \text{Frw } 1,350 \text{ (A)} \\
 2) \text{ MPV} &= (\text{SP} - \text{AP}) * \text{AQ} \\
 \text{A} &= (6 - 7) * 750 = \text{Frw } 750 \text{ (A)} \\
 \text{B} &= (4 - 5) * 500 = \text{Frw } 500 \text{ (A)} \\
 \text{Total} &= \text{Frw } 1,250 \text{ (A)} \\
 3) \text{ MUV} &= (\text{SQ} - \text{AQ}) * \text{SP} \\
 \text{A} &= (800 - 75) * 6 = \text{Frw } 300 \text{ (F)} \\
 \text{B} &= (400 - 500) * 4 = \text{Frw } 400 \text{ (A)} \\
 &= \text{Frw } 100 \text{ (A)}
 \end{aligned}$$

MCV: Material Cost Variance
MPV: Material Price Variance
MUV: Material Usage Variance

Lesson 2: The use of budget control to ensure organization achievement of target

a) Learning objective

- Explain the use of budgetary control to ensure organisation achievement of target

b) Teaching resources

Computers (desktop, laptops), projectors, textbooks, internet, markers, pens and chalkboard

c) Prerequisites /Revision /Introduction

In this unit, Students acquired the budget and budgetary control especially budgetary control which can help students to understand well the use of budgetary control to ensure organization achievement of target.

d) Learning Activity

Activity 5.2.

- Invite student to read individually the question in the student book and work in pairs to share with the classmate.
- Make some pairs make presentations
- Provide constructive feedback.

Possible answers to learning activity 5.2



- Budgeting identifies current available capital
- Provides an estimate of expenditure
- Anticipates incoming revenue

e) Application activities 5.2

- Invite students to read, discuss in pairs the application activities in student books.
- Have some pairs to present their findings.
- Ask other pairs to supplement.
- Give constructive feedback

Possible answers to application activities 5.2



- Forces management to look ahead
- To set out detailed plans for achieving the targets for each department
- To anticipate and give the organization purpose and directions
- Promotes coordination and communication

Lesson 3: Report and Recommendation to management

a) Learning objective

- Explain the meaning of report and recommendation to management

b) Teaching resources

Computers (Desktop, Laptops), projectors, textbooks, internet, markers, pens and chalkboard

c) Prerequisite /Revision /Introduction

In this unit, Students acquired skills on calculation of budget variance that can help in reporting. Furthermore, students acquired the knowledge of material cost variance, labour cost variance or overhead variance. This will help students to understand well the report and recommendation to management.

d) Learning activity 5.3

- Invite student to read individually the question in the student book and work in pairs to share with the classmate

- Make some pairs make presentations.
- Provide them with constructive feedback

Possible answers to learning activity 5.3



1. Increase communication
2. Improve decision making and efficiency within organisation
3. Improve productivity, accuracy and timeliness
4. Identifying potential problems early, when you still have time to act
5. Cost efficiency
6. Customer focus

e) Application activity 5.3

- Invite students to read, discuss in pairs the application activity in the student books.
- Have some pairs to present their findings
- Ask other pairs to supplement.
- Give them constructive feedback

Possible answers to application activity 5.3



1. His performance report is unfavourable or negative budget variance because actual costs is higher than the standard costs. Means that the expenses of OMEGA Industries are greater than what has been budgeted. These unfavourable variances can alert management that the OMEGA Industries profit will be less than expected.

Total unfavourable variances are calculated in the following table

	Actual costs	Standard costs	Variance
Direct Material	FRW 38,200	FRW 36,600	FRW 1,600
Direct labour	FRW 19,450	FRW 19,000	FRW 450
Variable overhead	FRW62,890	FRW 60,000	FRW 2,890
Totals	FRW120,540	FRW 115,000	FRW 4,940

5.6. Summary of the unit

This unit describes the identification of significant deviation (variances), the use of budget control to ensure organisation achievement of target, and report and recommendation to management.

5.7. Additional Information

Variance Analysis is the study of deviations of actual behaviour versus forecasted or planned behaviour in budgeting or management accounting. This is essentially concerned with how the difference of actual and planned behaviours indicates how business performance is being impacted.

SKILLS LAB



For this lab, students will be able to analyze and interpret variances.

▪ **Guidance to the Lab:**

In conducting this skills lab activity, teacher asks students to refer to the worked exercise from student book.

▪ **Build**

Given the skills lab from the student book;

- Remind students on the expected objective for the skills lab attendance.
- Form manageable groups in your class and remember to mix both boys and girls
- Let each team have the representatives (note take, timer keeper, presenter) -Ensure they have where to keep necessary notes from the findings.
- Share them the printed exercises

▪ **Practice**

- Give them clear instruction on what they have to do, by when and how.
- Ensure that the questions are clear and understandable to each one
- Move around the group as you provide necessary clarifications and guidance.

▪ **Present**

- Choose randomly any one team representative to correct the questions
- Allow students to ask questions to their fellow.

▪ **Conclusion**

- Teacher emphasizes on the objective of the skills lab reminding students that they have to use knowledge and skills acquired in correction if errors.
- Give necessary constructive feedback as you conclude the lesson

5.8. End unit assessment

End unit assessment



1. A ;2.D ;3.D

4. Production / overhead volume Variance (only for fixed overhead)

$$\begin{aligned}
 \text{Fixed overhead volume Variance} &= \text{Absorbed overhead} - \text{Budget overhead} \\
 &= (\text{FRW}5 * 15,000 \text{ units}) - (\text{FRW}5 * 20,000 \text{ units}) \\
 &= (\text{FRW } 75,000 - \text{FRW}100,000) \\
 &= \text{FRW}25,000 \text{ (A)}
 \end{aligned}$$

Overhead	expenses	variances
For	variable	overhead:
AQ(SR – AR)	= 15,000 units (Frw 10 - FRW 10)	
	= Nil	

For	fixed	overhead:
	= Budgeted overhead – Actual overhead	
	= (FRW 5*2,000 units) – (Total overhead – variable overhead)	
	= (FRW 5 *2,000 units) – (FRW 300,000 - FRW10 * 15,000 units)	
	= (FRW 100,000 – (FRW300,000– FRW 150,000))	
	= Frw 100,000 – Frw 150,000	
	= Frw 50,000 (Adverse)	

5. For Fixed overhead variances

Actual F.O. incurred (given) = Frw 12,000

Budget F.O. for the period = Frw 10,000

Standard F.O. for production (Standard output for actual time* standard fixed overhead per unit)

2,100 units *(10,000 ÷ 2,000 units) = Frw 10,500

i) Fixed overhead variance = Standard F.O. – Actual F.O.
= Frw 10,500 – Frw 12,000
= Frw 1,500 (A)

ii) F.O. Expenditure = Budgeted F.O. – Actual F.O.
= Frw 10,000 – Frw 12,000
= Frw 2,000 (A)

iii) F.O. Volume variance = Standard F.O. – Actual F.O.
= Frw 10,500 – Frw 10,000

5.9. Additional activities

Remedial Activities:



1. List the various types of variable overhead variances

Possible answer

- variable expenditure variance
- Variable overhead volume variance
- Variable overhead Efficiency variance
- Variable overhead expenditure variance

Consolidated activities:



A company has a normal capacity of 120 machines working 8 hours per day for 25 days in a month. The fixed overheads are budgeted at Frw 144,000 per month. The standard time required to manufacture one unit of product is 4 hours. In April 2022 the company worked 24 days of 840 machine hours per day and produced 5,305 units of output. The actual fixed overheads were FRW 142,000.

- Calculate :
- Fixed Expenditure variance
 - Fixed Volume variance
 - Total fixed overheads variance

	Budget	Actual
Working hours per month	24,000	20,160
2. Production units per month = budgeted 24,000 ÷ 4 hours, Actual given	6,000	5,305
3. Standard fixed overhead rate per unit = $144,000 \div 6,000 = \text{FRW}24$		
4. Standard fixed overhead rate per hour = $144,000 \div 24,000 = \text{FRW}6$		
5. Standard fixed overhead rate per day = $144,000 \div 25 = 5,760$		

Fixed overhead variances:

Actual Fixed overhead incurred = Frw 142,000

Budgeted Fixed overhead for the period = Frw 144,000

Standard fixed overhead for actual production = (Standard output for actual time × Standard fixed overhead per unit) = Frw 5,305 * Frw 24 = Frw 127,320

Variances

i) F.O. Expenditure Variance = (Budgeted fixed overhead - Actual fixed overhead)

$$= 144,000 - 142,000$$

$$= 2,000 \text{ FRW (F)}$$

ii) Total volume variance = (Standard fixed overhead - Budgeted fixed overhead)

$$= 127,320 - 144,000$$

$$= 16,680 \text{ FRW (A)}$$

iii) Fixed overhead variance = (Standard fixed overhead - Actual fixed overhead)

$$= 127,320 - 142,000$$

$$= 14,680 \text{ FRW (A)}$$

Alternatively: Expenditure variance + Volume variance

$$= 2,000 \text{ FRW (F)} + \text{Frw } 16,680 \text{ (A)}$$

$$= 14,680 \text{ FRW (A)}$$

Extended activities:

1. MN Ltd. has furnished you the following information for the month of the January

	Budget	Actual
Outputs (units)	30,000	32,000
Hours	30,000	33,000
Fixed overhead	45,000	50,000
Variable overhead	60,000	68,000
Working days	25	26

Question:

Calculate overhead following variances:

- Variable Overheads Cost Variance
- Variable Overhead Expenditure Variance
- Variable Overhead Efficiency Variance

Possible answer

Solution:

1.The types of Variable Overheads Cost Variance are:

- Variable Overhead Expenditure Variance
- Variable Overhead Efficiency Variance

2.Working Notes:

	Budget	Actual
1.Working hours per month	24,000	20,160
2.Production units per month= (budgeted 24,000 ÷ 4 hour, Actual given	6,000	5,305
3.Standard fixed overhead rate per unit = $144,000 \div 6,000 = \text{FRW } 24$		
4.Standard fixed overhead rate per hour= $144,000 \div 24,000 = \text{FRW } 6$		
5.Standard fixed overhead rate per day = $144,000 \div 25 = \text{FRW } 5,760$		

Fixed overhead Variances:

Actual Fixed overhead incurred = FRW 142,000 (given)

Budgeted fixed overhead for the period = FRW 144,000

Standard fixed overhead for actual production = (Standard output for actual time × Standard Fixed Overhead per unit) = $5,305 \times \text{Frw } 24 = \text{FRW } 127,320$

Variances:

i) F.O. Expenditure Variance = (Budgeted fixed overhead - Actual fixed overhead)

$$= 144,000 - 142,000 \\ = \text{Frw } 2,000 \text{ (F)}$$

ii) Total volume variance = (Standard fixed overhead - Budgeted fixed overhead)

$$= 127,000 - 144,000 \\ = \text{Frw } 16,680 \text{ (A)}$$

iii) Fixed Overhead Variance = (Standard fixed overhead - Actual Fixed Overhead)

$$= 127,320 - 142,000 \\ = \text{Frw } 14,680 \text{ (A)}$$

Alternatively:

$$\text{Expenditure Variance} + \text{Volume Variance} = 2,000 \text{ (F)} + 16,680 \text{ (A)} \\ = 14,680 \text{ (A)}$$

3. Necessary Calculations:

$$\text{Standard hour per unit} = \frac{\text{Budgeted hours}}{\text{Budgeted units}} = \frac{30,000}{30,000}$$

Standard hour for actual output = 32,500 units \times 1 hour = 32,500

$$\text{Standard overhead rate per hour} = \frac{\text{Budgeted overhead}}{\text{Budgeted hour}}$$

$$\text{For fixed overhead} = \frac{45,000}{30,000} = 1.5 \text{ FRW per unit}$$

$$\text{For variable overhead} = \frac{60,000}{30,000} = 2 \text{ FRW per unit}$$

Standard fixed overhead rate per day = 45,000 FRW \div 25 days = 1,800 FRW

Recovered overhead = Standard hours for actual output \times Standard rate

For fixed overhead = 32,500 \times 1.5 = 49,500 FRW

For variable overhead = 33,000 \times 2 = 66,000 FRW

$$\text{Revised budgeted hours} = \frac{\text{Budgeted hours}}{\text{Budgeted days}} \times \text{Actual days} \\ = \frac{30,000}{25} \times 26 = 31,200 \text{ hours}$$

Revised budget overhead = $31,200 \times 1.5 = \text{Frw } 46,800$

Calculation of variances

Fixed overhead variances:

-Fixed overhead cost variance = Recovered overhead – Actual overhead

$$= 48,700 - 50,000$$

$$= \text{Frw } 1,250 \text{ (A)}$$

-Fixed overhead Expenditure variance = Budgeted overhead -Actual overhead

$$= 45,000 - 50,000$$

$$= \text{Frw } 5,000 \text{ (A)}$$

-Fixed overhead variance = Recovered overhead – Budgeted overhead

$$= 48,750 - 45,000$$

$$= \text{Frw } 3,750 \text{ (F)}$$

-Fixed overhead Efficiency variance = Recovered overhead – Standard overhead

$$= 48,750 - 49,500$$

$$= 750 \text{ FRW (A)}$$

-Fixed overhead capacity variance = Standard overhead - Revised Budgeted overhead

$$= 49,500 - 46,800$$

$$= \text{Frw } 2,700 \text{ (F)}$$

-Calendar variance = (Actual days – Budgeted days) × Standard rate per day

$$= (26 - 25) \times 1,800$$

$$= \text{Frw } 1800 \text{ (F)}$$

Variable Overhead variances:

-Variable Overhead Cost Variance = Recovered Overhead – Actual Overhead

$$= 65,000 - 68,000$$

$$= \text{Frw } 3,000 \text{ (A)}$$

-Variable Overhead Expenditure Variance = Standard Overhead -Actual Overhead

$$= 66,000 - 68,000$$

$$= \text{Frw } 2,000 \text{ (A)}$$

-Variable Overhead Efficiency Variance = Recovered Overhead – Actual Overhead

$$= 65,000 - 66,000$$

$$= \text{Frw } 1,000 \text{ (A)}$$

UNIT 6

UNDERSTANDING LOAN/ CREDIT POLICY

6.1. Key unit competence:

To be able to explain the loan/credit procedures

6.2. Prerequisite

A student should have been acquired knowledge in ratio analysis and in financial accounting on debt management.

6.3. Cross-cutting issues to be addressed:

Gender education:

Remind students that both males and females have similar opportunities, rights and obligations in the workplace, and therefore need to be treated fairly and equally when dealing with contracts or resolving conflicts.

People's opinion of gender roles should not deny or hinder one's right or responsibilities to meet his or her contractual obligations while teaching contracts in business operations.

Inclusive education:

All students need to realize that universal laws do not discriminate as they do apply to all regardless of social, economic, political, physical background. Emphasis should be put on how we all have the same rights. During business organization unit, Student may discuss and appreciate need to respect and advocate for employer's and worker's rights and responsibilities at workplace.

Peace and Values

Right before the lesson begins; there are quite a lot of opportunities for teachers to promote peace and values. Being punctual for activities (time management), involvement in various activities (teamwork), keeping their school environment clean (responsibility), greeting one another are among such opportunities (empathy).

6.5. Guidance on the introductory activity

Students in groups study the scenario and try to answer the following questions

Answers to Activity 6



1. Mr Nkundurwanda is a businessman operating in Rwanda
2. Mr Nkundurwanda does not cover all his expenses because he needs more finances.
3. Yes, for operating in different countries and grow his business.
4. To take a credit from bank
5. It will help Mr Nkundurwanda to grow and expand his business

6.5. List of lessons and lesson development

Heading	Lesson title/Sub-heading	Learning objectives (from the syllabus or set according to the lesson title)	Number periods
6.1 Introduction	6.1.1 Definition of concepts related to the credit : a) Credit b) Credit policy c) Credit control/monitoring d) credit services e) credit delivery	Identify the types and importance of loan a	2
	6.1.2 Types of loans		2
	6.1.3 Importance of loan		3
	6.1.4 Importance of liquidity management		2

	6.1.5	Granting loan (Applicant profile, application forms, Information required for granting credit)	Explain the procedure of granting loan,	2
	6.1.6	Evaluating credit worthiness		4
	6.1.7	How an organization can raise finance from a bank through overdrafts and loans, and the basic terms and conditions associated with each of these types of financing.		3
	6.1.8	Types of investments, risks and terms and conditions associated with them. a. certificates of deposit b. governments securities c. shares	Identify Types of investments, risks and terms and conditions associated with them	3

6.2 Effect of legislation to credit control	6.2.1.	Law legislating the credit and remedies for breaches	Quote laws related to credit control and	2
	6.2.2.	Terms and conditions associated with granting credit	Differentiate between bankruptcy and insolvency	1
	6.2.3.	Data protection		1
	6.2.4.	Legal and administrative procedures for debt collection		1
	6.2.5.	Bankruptcy and insolvency.		1
		End Unit Assessment		2

LESSON1: Introduction

a) Learning objective

- ✓ Identify the types and importance of loan and explain the procedure of granting loan.
- ✓ Identify Types of investments, risks and terms and conditions associated with them

b) Teaching resources

Basic materials for a class/lesson to be conducted, include student books and any other trusted and reliable resources to enhance learning, printed copies,

flip chart, markers, machine, internet and printer.

c) Prerequisites/Revision/Introduction:

A student should have been acquired knowledge in financial accounting on debt

management (Unit 10 in S.6).

d) Learning activities

Activity guidance

- Have students in small groups
- Ask them to brainstorm on the questions in student book
- Invite students to present in plenary
- Provide to them constructive feedback
- Link the students' ideas to the new lesson

Possible answers to learning activity 6.1



- 1) It is the process of loan application
- 2) Asses the creditworthiness and grant the loan
- 3) The relation between them is a credit

e) Application activity 6.1

Activity guidance

- Ask students to do the activity and you may give them time to think on the activity so that they can do it neatly.
- You may request them to work collaboratively in pairs.



Application Activity Answer 6.1

1. The credit assistance provided by a banker is mainly of two types, one is fund-based credit support and the other is non-fund based. The difference between fund based and non-fund-based credit assistance provided by a banker lies mainly in the cash out flow.
2. The purpose of analyzing the financial statements for credit control assessment is to find the indicators of the customer's performance and position in four main areas as follow: Profitability Indicators; Liquidity indicators; Debt indicators; Cash flow indicators.
3. Liquidity refers to the ability of an organization to pay its suppliers on time, meet its obligation costs, such as wages and salaries and to pay longer-term outstanding amounts such as loan repayment. So, adequate liquidity is often a key factor in contributing to the success or failure of a business.
4. The external sources of information are: Bank Reference, Trade reference, Credit reference agencies, Office of Register General, Management accounts from the customer, Media publication, Internet searches.
5. A certificate of deposit is a document issued by a bank or building society which certifies that a certain sum, has been deposited with it, to be repaid on a specific date. CDs are negotiable instrument which means that they can be bought and sold.

LESSON 2: Effect of legislation to credit control

a) Learning objective:

Quote laws related to credit control and differentiate bankruptcy and insolvency.

b) Teaching resources:

Basic materials for a class/ lesson to be conducted, students books and any other trusted and reliable resources to enhance learning, Printed copies, flip chart, markers, machine, internet and printer.

c) Prerequisites/Revision/Introduction:

Students should be able to identify types of investments, risks, terms and conditions associated to investment.

d) Learning activities 6.2

Activity guidance

Have students in small groups

Ask them to brainstorm on the questions in student book

Invite students to present in plenary

Provide to them constructive feedback

Link the students' ideas to the new lesson

Learning activity answer 6.2



1. This figure talks about law legislating credit management.
2. The bank is offering the credit; and the law legislating the credit.
3. Yes there is a relationship because if credit are granted the law legislating the credit will be needed

e) Application activity 6.2

- Activity guidance 6.2
- Help students to form group and discuss about the activity from student' book.
- Each group should have time to present and the rest of class may ask questions or supplement to the presentation.
- Help student to reach the correct conclusion after a disagreement

Application Activity Answer 6.2



1. The importance of contract law is that if a contract is validly made between two parties and if one party does not satisfactory carry out its side of the agreement, the other party can take the defaulting party to court for breach of contract.
2. The credit terms offered to a customer are part of the agreement between the business and the customer and as such should normally be in writing. The terms of credit are the precise agreements with the customer as to how and when payment for the goods should be made.
3. Restitutionary and compensatory damages; Bringing a dispute to court; Methods of receiving payment under a court order

6.6. Summary of the unit

This unit is composed of two (2) lessons based on the following:

- ❖ **Introduction**
 - Definition of concepts related to the credit
 - ✓ Credit
 - ✓ Credit policy
 - ✓ Credit monitoring
 - ✓ Credit services
 - ✓ Credit delivery
 - **TYPES OF CREDIT**
 - ✓ fund based credit
 - ✓ non-fund based credit
 - **Granting loan**
 - ✓ Applicant profile,
 - ✓ application forms,
 - ✓ Information required for granting credit
 - **Evaluating credit worthiness**
 - ✓ Profitability Indicators; Liquidity indicators; Debt indicators; Cash flow indicators of borrower
 - **Types of investments**
 - ✓ *A certificate of deposit (CD)*
 - ✓ *Bills of exchange*
 - ✓ *Equity*
- ❖ **Effect of legislation to credit control**
 - **Law legislating the credit and remedies for breaches**
 - ✓ Relevant contract law
 - ✓ *Remedies for breach of contract*
 - Terms and conditions associated with granting credit
 - Data Protection law
 - Legal and administrative procedures for debt collection
 - Bankruptcy and insolvency
 - ✓ Bankruptcy
 - ✓ insolvency

6.7. Additional Information

The information provided in the students' text book is enough comparing to their level but does not restrict you as teacher to do further research from other resources for example internet or other related textbooks.



SKILLS LAB

Student will visit a bank operating nearest the school especially in the credit department and ask questions related to the credit with the aim of knowing the procedure or the process of offering the credit and the laws legislating the credit.

▪ **Guidance to the Lab:**

In conducting this skills lab activity,

- Teacher takes the students to nearest financial institution,
- Teacher requests the bank manager to orient the students to credit department,
- Teacher and bank agent (Manager, credit officer) allow students to be familiar with banking operations, especially in loan management.

▪ **Build**

Called the skills lab from the student' book;

- Remind students on the expected objective for the skills lab attendance.
- Form manageable groups of students and remember to mix both boys and girls
- Ensure they have where to keep necessary notes from the discussions.
- Let each team have the representatives (note taker, timer keeper, and presenter)

- **Practice**

- Give them clear instruction on what they have to do, by when and how.
- Ensure that the questions are clear and understandable to each one.
- Allow the students to discuss in their respective teams
- Move around the group as you provide necessary clarifications and guidance.

- **Present**

- Choose randomly any one team representative to correct the questions
- Allow students to ask questions to their fellow students.
- Conclusion
- Teacher emphasizes on the objective of the skills lab reminding students that they have to use knowledge and skills acquired in class and link to what observed from bank.
- Give necessary constructive feedback as you conclude the lesson

- **Conclusion**

- Teacher emphasizes on the objective of the skills lab reminding students that they have to use knowledge and skills acquired in class and link to what observed from bank.
- Give necessary constructive feedback as you conclude the lesson

6.8. End unit assessment

End unit assessment

1. Liquidity refers to the ability of an organization to pay its suppliers on time, meet its obligation costs, such as wages and salaries and to pay longer-term outstanding amounts such as loan repayment. Adequate liquidity is often a key factor in contributing to the success of failure of a business. For example liquid assets include cash, short term deposits, trade receivables and inventories. Those are called Working capital of a business. Cash is the most liquid of assets and it is part of working capital of the business. However, the time taken to convert trade receivables into cash and the time taken to pay creditors affects the liquidity position of the business. Liquid assets are current asset items that will, or could soon, be converted into cash, and cash itself. two common definitions of liquid assets are all current assets or all current assets with the exception of inventories.
2. The purpose of analyzing the financial statements for credit control assessment is to find the indicators of the customer's performance and position in four main areas as follow: Profitability Indicators; Liquidity indicators; Debt indicators; Cash flow indicators.
3. A contract is a legally enforceable agreement between two or more parties. Main elements of contract: Agreement; Consideration and Intention to create legal relations. The importance of contract law is that if a contract is validly made between two parties and if one party does not satisfactory carry out its side of the agreement, the other party can take the defaulting party to court for breach of contract.

What is Insolvency?

Though both terms deal with excessive debts, insolvency is a state that can lead to declaring bankruptcy. In very simple terms, an individual becomes insolvent when he or she is unable to pay back lenders on time.

What is Bankruptcy?

Bankruptcy is a legal process that provides protection and relief for individuals who are unable to pay off their debts. When you file for bankruptcy, a Licensed Insolvency Trustee will be assigned to liquidate your assets, contact your creditors, and investigate your affairs. You will also have to comply with bankruptcy duties including attending credit counseling sessions.

Insolvency is a financial state where a person cannot meet debt payments on time. Bankruptcy is a legal process that happens when the individual declares he or she can no longer pay back his or her debts to creditors.

4. Bankruptcy arises when an individual cannot pay his or her debts and is declared bankrupt. Insolvency is where a company cannot pay its debts as they fall due. The process of insolvency for a company that cannot pay its debts as they fall due is similar to that of a bankrupt individual, There are 2 main options for companies in this case;
 - ✓ Liquidation
 - ✓ Administration

6.9. Additional activities

Remedial activities

1. What is a credit? Credit is the exchange function in which, creditor gives some goods or money to the debtor with a belief that after some time he will return it. In other words Trustis the Credit
2. List 3 traditional credit products

Cash credit: Cash credit is a credit that given in cash to business firms

Overdraft: A customer having current account, is allowed by the banks to draw more than his deposits in the account is called an overdraft facility.

Demand loans: A demand loan has no stated maturity period and may be asked to be paid on demand.

3. What is the importance of the loan?

The following are importance of loan;

Exchange of ownership: Credit system enables a debtor to use something which does not own completely.

Employment encouragement: With the help of bank credit, people can be encouraged to do some creative business work which helps increasing the volume of employment

.Increase consumption:

Credit increases the consumption of all types of goods. By that large scale production may be stimulated which leads to decrease in cost of production which in turn also lowers the price of product which in result rising standard of living.

Saving encouragement:

Credit gives encouragement to the saving habit of the people because of the attraction of interest and dividend.

Capital formation:

Credit helps in capital formation by way that it makes available huge funds from able people to unable people to use somethings. Credit makes possible the balanced development of different regions.

Development of entrepreneurs:

Credit helps in developing large scale enterprises and corporate business.

Consolidation activities

1. After explaining what is breach of contract briefly talk about Remedies for breach of contract

Solution:

A breach of contract arises where one party to the contract does not fulfil its side of the bargain, such as a credit customer who does not pay.

The following are some of the remedies:

Action for the price - a court action to recover the agreed price of the goods/services

Monetary damages - compensation for loss

Termination - one party refusing to carry on with the contract

Specific performance -a court order that one of the parties must fulfil its obligations

Quantum meruit -payment ordered for the part of the contract performed

Injunction -one party to the contract being ordered by the court not to do something.

2. What are the Information required for granting credit

Answer:

When assessing the credit status of either on established or a new customer there are a range of sources of information that the credit controller can use. Some are external to the business and others are internal to the business. The credit controller the needs to consider the customer's ability and willingness to pay within the stated credit terms and also that the customer will remain solvent. No single source of information can guarantee either of these but there are variety of sources which can be pooled for a final decision on credit status to be made.

External sources: Bank Reference, Trade reference, Credit reference agencies, Office of Register General, Management accounts from the customer, Media publication, Internet searches

Internal sources: Staff knowledge communicated by conversations, emails, meetings; Customer visit; financial analysis of either external published financial statements or internal management; previous trading history

3. Briefly explain five major factors to be considered when any investor chooses investment

Answer:

There are five major factors to be considered when any investor chooses investments

Spreading risks:

Spreading investment on several types of security, so losses on some are offset by gains on others

Growth prospects: Most profitable investments are in businesses with good growth prospects

Extended activities:

1. You are the credit controller for DP Ltd and you are considering a request from silos and sons which wishes to trade on credit with your company. You are considering offering a credit limit of 10 million FRW with payment terms of payment within 30 days of the invoice date. you have written to silos and sons bank, southern Bank, asking for a reference having specified that you are considering a credit limit of 10 million FRW. The bank's reply is given below.

“Should prove good for your figures”?

- a. The credit should be granted
- b. Credit should not be granted
- c. Credit should be granted if further information is positive
- d. No conclusion can be drawn

Solution

C. Credit should be granted if further information is positive

2. You are the controller at Kivu Fuel and Glass, and you are considered the request for 1.5M Frw a month credit facilities for Nyungwe Engineering Ltd. The following references and financial statements have now been received.

Bank reference

Nyungwe Engineering Ltd-Should prove good for your figures

Trade reference 1

Payment occasionally late and have suspended credit in the past

Trade reference 2

Payment occasionally late and credit never suspended

Description	2016	2017	2018
	FRW(million)	FRW (million)	FRW (million)
Sales Revenues	3,150	3,220	3,330
Cost of Sales	(2,048)	(2,061)	(2,115)
Gross Profit	1,102	1,159	1,215
O p e r a t i n g expenses	(645)	(676)	(732)
Operating profit	457	483	483
Finance costs	(95)	(100)	(120)
Profit before taxation	362	383	363
Taxation	(91)	(96)	(91)
Profit for the year, after taxation	271	287	272

Summarized statements of financial positions as at.....

Description	2020	2021	2022
	FRW (million)	FRW (million)	FRW(million)
Assets			
Non-current Assets	3,339	3,727	4,112
Current Assets			
Inventory	292	328	353
Receivables	639	670	684
Cash at Bank	2	2	2
	933	1,000	1,039
Total Assets	4,272	4,727	5,151
Equity and Liabilities			
Equity			
Ordinary share capital	1,000	1,000	1,000
Retained Earnings	1,020	1,307	1,579
Total Equity	2,020	2,307	2,579
Non-Current liabilities			
Borrowings	1,600	1,800	2,000
Current liabilities			
Trade payables	494	474	463
Other liabilities	158	146	109
Total liabilities	652	620	572
	2,252	2,420	2,572
Total Equity and Liabilities	4,272	4,727	5,151

The borrowings are long-term loans. Finance costs consists of interest payable

Required:

In your role as credit controller assess the information available regarding Nyungwe Engineering Ltd.

SOLUTION:

MAKING A CREDIT ASSESSMENT DECISION

Bank reference

The bank reference is not the most positive that might have been given and indicates that consideration should be given, in particular, to the liquidity and profitability of the company

Trade reference

Both trade references indicate that Nyungwe Engineering Is a slow payer; again, consideration should be given to information in the financial statements to try to determine whether this is due to liquidity problems, general inefficiency or a determined policy of the company. One trade reference has confirmed that credit has been suspended at least once.

Financial statement analysis

	2020	2021	2022
Financial ratios			
profitability			
Gross profit margin	35%	36%	36.5%
Operating profit margin	14.5%	15%	14.5%
Return on capital employed	12.6%	11.8%	10.5%
Asset turnover	0.87	0.78	0.73
Liquidity			
Current ratio	1.43:1	1.16:1	1.82:1
Quick ratio	0.98:1	1.08:1	1.20:1
Inventory holding period	52 days	58 days	61 days
Accounts receivable collection period	74 days	76 days	75 days
Accounts payable payment period	88 days	84 days	80 days
Gearing			
Gearing ratio	44%	44%	44%
Interest cover	4.8 times	4.8 times	4.0 times

From the analysis of the financial ratios a number of points can be made about Nyungwe Engineering Ltd

Profitability

In terms of profitability, the gross profit margin has increased in each of the three years, although the operating (or net) profit margin is fairly constant.

Return on capital employed has fallen over the three years, due to the decrease in net asset turnover. There has clearly been large investment in non-current asset over the period and, as yet, this does not appear to have led to significantly increased revenue or profit.

Liquidity

The current ratio could be said to be rather low; however, it has been increasing in each of the three years, and the quick ratio appears health and is also improving. The inventory holding period is quite high and has increased by nine days over the period; consequently there is considerable capital tied up in the inventory holdings

Perhaps of more concern are the accounts receivable collection period and the accounts payable payment period. the accounts receivable collection period has remained fairly constant but at around 75 days, is a long time.

This might account for the length of time that Nyungwe engineering LTD

Takes to pay its own suppliers which, although improving, still stands at 80 days-which is 50 days longer than kivu's credit terms of 30 days

Gearing

Although there have been small increases annually in the amount of long-term loans the gearing level has remained constant at 44% interest cover is also health at four times or over.

Recommendation

The evidence received from the bank reference, trade reference, trade references and the financial statements would indicate a problem with Nyungwe Engineering regarding the period of time which they take before paying their suppliers. The company appears to be profitable and despite the length of time their own customers take to pay, there would not appear to be serious a liquidity problem. Therefore the late paying of suppliers could be a deliberate policy.

It is recommended that only Frw 10million of credit is initially granted to Nyungwe Engineering ltd, with an agreement that payment is to be strictly to 30 days of the invoice date. This period of credit should perhaps be limited to a six-month period, during which the receipts from Nyungwe Engineering ltd should be monitored closely. Nyungwe Engineering ltd should be made aware that if payment are not received promptly, credit facilities will be withdrawn and only cash trading will be available.

UNIT 7

CREDIT MONITORING SERVICES

7.1. Key unit competence:

To be able to evaluate credit recovery

7.2. Prerequisite

A student must have a working knowledge on unit 6 “understanding loan/credit policy”

7.3. Cross-cutting issues to be addressed:

a) Gender education:

Remind students that both males and females have similar opportunities, rights and obligations in the workplace, and therefore need to be treated fairly and equally when dealing with contracts or resolving conflicts. People’s opinion of gender roles should not deny or hinder one’s right or responsibilities to meet his or her contractual obligations while teaching contracts in business operations.

b) Inclusive education:

All students need to realize that universal laws do not discriminate as they do apply to all regardless of social, economic, political, physical background. Emphasis should be put on how we all have the same rights. During business organization unit, Student may discuss and appreciate need to respect and advocate for employer’s and worker’s rights and responsibilities at a workplace.

c) Peace and Values:

Right be for the lesson begins; there are quite a lot of opportunities for teachers to promote peace and values. Being punctual for activities (time management), involvement in various activities (teamwork), keeping their school environment

clean (responsibility), greeting one another are among such opportunities (empathy)

7.4. Guidance on introductory activity

Introductory Activity 7

The teacher distributes the papers on which drawn the picture from student's book. He/she asks the learners to observe the picture and answer different following questions.



Proposed Introductory activity answers

1. In this introductory activity there are 3 images the company; a businessman and commercial houses.
2. One is a company which offer the credit and recover the loan offered; the person who receives the credit and the same person must pay back the credit and the commercial houses where the business is being conducted
3. This image talk about credit recovery

7.5. List of lessons and lesson development

Heading	Lesson title/Sub-heading	Learning objectives (from the syllabus or set according to the lesson title)	Number of periods
7.1. Monitoring credit	7.1.1. Credit services 7.1.2. Age analysis and financial ratios 7.1.3. Incidence of bad and debt full debts	Explain reasons behind doubtful and bad debts Explain reasons behind doubtful and bad debts	9
7.2. Collection option and procedures	7.2.1. Negotiation with the customer 7.2.2. Methods of debt collection	Discuss the procedures for loan collection Advocate for the appropriate debt collection method	7

7.3 Preparation of performance report and recommendation to management	7.3.1. Internal reporting and write-offs 7.3.2. Internal and external recommendation	Draft performance report Draft performance report	5
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LESSON 1: Monitoring credit

a) Learning objective

- ✓ Explain reasons behind doubtful and bad debts

b) Teaching resources

Basic materials for a class/lesson to be conducted, Student' books and any other trusted and reliable resources to enhance learning, printed copies, flipchart, markers, machine, internet and printer.

c) Prerequisites/Revision/

Students need to have completed unit 6 from S.6 on "loan/credit policy".

d) Learning activities 7.1

- Have students in small groups
- Ask them to brainstorm on the questions in student' book
- Invite students to present in plenary
- Provide them with constructive feedback
- Link the students' ideas to the new lesson

Possible answer on activity 7.1.



1. On the above image there are different individuals the first one is a man with a bag and other remaining are business man
2. One is debtor collector others are business men those are owners of different shops
3. The man with a bag is monitoring credit by visiting the debtors reminding them to pay
4. This image talk about credit monitoring

e) Application activity 7.1

- Ask student to do the activity and you may give them time to think on the activity so that they can do it neatly.
- You may request them to work collaboratively in pairs.

Possible application activity Answer 7.1



1. In the age analysis we consider the regular monitoring of receivables to identify any potential issues. This may in turn prompt a more in-depth enquiry similar to the initial granting of the credit.
2. Answer is A, B, D and F
3. The answer is C the correct goods may not be dispatched to the customer
4. Information that might be available to the credit control team which might indicate an irrecoverable or doubtful debt include
 - Evidence of long-outstanding debts from the aged receivables analysis
 - A one-off outstanding debt when more recent debts have been cleared
 - Correspondence with customers eg. Disputes
 - Outstanding older debts and no current business with the customer
 - A sudden or unexpected change in payment patterns
 - Request for an extension of credit terms
 - Press comment
 - Information from the sales team

LESSON 2: Collection option and procedure

a) Learning objective:

- Discuss the procedures for loan collection and Advocate for the appropriate debt collection method

b) Teaching resources:

Basic materials for a class/ lesson to be conducted, students books and any other trusted and reliable resources to enhance learning, Printed copies, flip chart, markers, machine, internet and printer.

c) Prerequisites/Revision/Introduction:

Student must be able to explain reasons behind doubtful and bad debts

d) Learning activities 7.2

- Have students in small groups
- Ask them to brainstorm on the questions in student' book
- Invite students to present in plenary
- Provide them with constructive feedback
- Link the students 'ideas to the new lesson

Possible Learning activity answer 7.2



1. There are two persons
2. One person is a debt collector another one is a debtor
3. This image talk about credit collection and procedures

e) Application activity 7.2

- Help student teachers to form group and discuss about the activity
- Each group should have time to present and the rest of class may ask questions or supplement to the presentation.
- Help student to reach to the correct conclusion after a discussion



Solution1.

Sales invoice

Once a sale has been made a sales invoice can be sent to the customer. This should be promptly sent, as soon as the goods or services have been provided and should clearly state the payment period agreed.

Statements

Most businesses will then send a monthly statement to the customer, showing the balance at the end of that month and how that is made up, including invoices, credit notes and payment received.

Telephone calls

An overdue debt is one which has not been paid within the stated credit period. Once a debt has become overdue it is common it is common practice to telephone the customer to enquire about the situation, determine whether or not there is a query over the amount due and agree when the debt will be paid.

Reminder letters

If there has been no response to the telephone calls requesting payment of overdue amount then this is followed up with a reminder letter.

Setting Up a Stop List

When all other avenues for encouraging payment according to the terms have been exhausted, and it is sure that this is a long term issue, it is time to set up a stop list.

A stop list is effectively a blacklist of clients who are no longer to be supplied in lieu of missed, late or incomplete payments. It is crucial that a stop list is shared effectively with everyone in the organization, so everyone knows who is on the list and to ensure they don't provide any further goods or services whilst payment remains outstanding.

External means of debt collection

Customers with poor payment behavior, and cases where collecting outstanding receivables proves particularly difficult, can cost incalculable amounts of both time and money. At times, the burdens they place on a company's receivables accounting become completely disproportionate to the debts in question. In such situations, it is advisable to outsource debt recovery to external service providers, who handle these specialized commercial and legal task in their function as governmentally regulated legal-services professionals.

solution 2

There are specific methods that a business can use to minimize the possibility of either the loss of the debt or resorting to legal procedures. They include among others:

- Liaising with debt collection agencies and solicitors
- Factoring
- Invoice discounting
- Debt insurance
- Settlement discounts

Solution 3

Factoring is a financing service provided by specialist financial institution, often subsidiaries of major banks, whereby money can be advanced to a company on the basis of the security of their trade receivables. A factor normally provides 3 main services and a company can take advantage of some or all of these:

- Provision of finance
- Administration of receivables ledger
- Insurance against irrecoverable debts



1. A credit report is a statement that has information about the credit activity and current credit situation such as credit paying history and the status of the credit accounts
2. A credit write-off

7.6. Summary of the unit

This unit is composed of three (3) lessons based on the following:

❖ **Monitoring credit**

- Credit services
- Age analysis and financial ratios
- Incidence of bad and debt full debts

❖ **Collection option and procedures**

- Negotiation with the customer
- Methods of debt collection

❖ **Preparation of performance report and recommendation to management**

- Internal reporting and write-offs
- Internal and external recommendation

7.7. Additional Information

The information provided in the students' textbook is enough comparing to their level but does not restrict you as teacher to do further research from other resources for example internet or other related textbooks.

SKILLS LAB



Student will visit a company selling goods and services on credit and ask questions related to the credit collection such as; the procedure or the process of credit offering and credit collection.

▪ **Guidance to the Lab:**

In conducting this skills lab activity,

- Teacher takes the students to nearest institution selling different products.
- Teacher and seller allow students to be familiar with business operations, especially in credit management.

▪ **Build**

Called the skills lab from the student' book;

- Remind students on the expected objective for the skills lab attendance.
- Form manageable groups of students and remember to mix both boys and girls before entering to the business.
- Ensure they have where to keep necessary notes from the discussions.
- Let each team have the representatives (note take, timer keeper, and presenter)

▪ **Practice**

- Give them clear instruction on what they have to do, by when and how.
- Ensure that the questions are clear and understandable to each one
- Allow the students to discuss in their respective teams on what observed on ground.
- Move around the group as you provide necessary clarifications and guidance.

▪ **Build**

- Called the skills lab from the student' book;
- Remind students on the expected objective for the skills lab attendance.
- From manageable groups of students and remember to mix both boys and girls before entering to the business.
- Ensure they have where to keep necessary notes from the discussions.
- Let each team have the representatives (note take, timer keeper, and presenter)

7.8. End unit assessment.

End unit assessment

1. An irrecoverable debt is one where it is almost certain that the monies will not be received. A doubtful debt is one where there is some doubt over the eventual receipt of the money, but it is not such a clear case as an irrecoverable debt.
2. When making this type of telephone call, particular attention should be given to the following matter:
 - Discussion with the customer should always be courteous.
 - The precise amount of the debt should be pointed out, and the fact that it is overdue.
 - It should be established whether there is any query with regard to the debt and, if so, any appropriate action agreed to resolve the query
 - If there is no query, then a date for payment of the debt should be established
3. A reminder letter is a formal communication to encourage payment the final reminder letter should be used if there is no response from the initial reminder letter then there will be little point in sending a second reminder letter.
4. The option for the business at this point are generally, To put the debt into the hands of debt collection agency To take the customer to court for payment To suspend any further sales to the customer by placing the customer on a stop list until payment is received,

7.9. Additional activities

Remedial activities

1. What is a credit services?

Solution

Credit represents an agreement to receive goods, services or money now and pay for them in the future.

2. List at least 4 advantages of Using credit service

Solution

Use other people's money. During the time between when you buy something with credit and when you pay the bill, you're actually using someone else's money rather than your own cash.

Meet emergencies. Unexpected costs such as car repairs or health needs can be met quickly with credit.

Use something while you pay for it. You can enjoy using something you need as you pay for it.

Get something you can't afford now. If you can't afford to pay cash for a car or other large purchase, using credit allows you to get it now.

3. How Telephone calls can be used in debt collection?

Solution

Once a debt has become overdue it is common practice to telephone the customer to enquire about the situation, determine whether or not there is a query over the amount due and agree when the debt will be paid.

Consolidated activities

1. What do you understand about a Stop List in the process of debt collection?

Solution

A stop list is effectively a blacklist of clients who are no longer to be supplied in lieu of missed, late or incomplete payments. The most common use is to record a list of customers who are overdue on payment and whose access to new goods or services is restricted, until such time as **all outstanding payments** have been made in full.

2. When is it advisable to use External means of debt collection?

Solution

At times, the burdens they place on a company's receivables accounting become completely disproportionate to the debts in question. In such situations, it is advisable to outsource debt recovery to external service providers, who handle these specialized commercial and legal tasks in their function as governmentally regulated legal-services professionals.

Extended activities

1. Explain why the Review of customer account is very meaningful in credit monitoring!

Solution

As well as checking that each order does not mean that the customer's balance exceeds their credit limit, each customer's account should be monitored on a regular basis. The review should involve looking for debts that are not being paid within the stated credit terms and old debts that have not been paid at all.

In order for this review of customer accounts to be meaningful, ***it is important that the customer accounts are kept up to date and accurate so that the correct balance and position can be seen at any point in time.***

Solution

As well as checking that each order does not mean that the customer's balance exceeds their credit limit, each customer's account should be monitored on a regular basis. The review should involve looking for debts that are not being paid within the stated credit terms and old debts that have not been paid at all.

In order for this review of customer accounts to be meaningful, ***it is important that the customer accounts are kept up to date and accurate so that the correct balance and position can be seen at any point in time.***

2.

A company has a policy of granting credit terms of 30 days from the invoice date. Once an invoice is seen days overdue, a telephone call is made to the customer to the customer to enquire about the debt. Once an invoice is 14 days overdue, a reminder letter is sent to the customer. Once an invoice is 30 days overdue, the customer is placed on the stop list and a letter is sent informing them of this.

Given below is an extract from the company's aged receivables listing at 30 June

	Total	Credit limit	Current <30 days	31 - 60 days	61 - 90 days	>90 days
	FRW,000	FRW,000	FRW,000	FRW,000	FRW,000	FRW,000
Traore Ltd	4,678	5,000		4,678		
Mory Ltd	3,557	5,000	2,669	888		
Keita Ltd	6,248	8,000	5,145		1,103	

The balance owing by Traore Ltd is made up of invoice number 467824 dated 15 May.

Invoice number 467899 to Mory Ltd for 2,669,000 Frw was dated 2 June and invoice number 467831 for 888,000 was dated 23 May

Invoice number 467781 to Keita Ltd for 1,103,000 Frw was dated 22 April.

For each customer determine what action, if any, is necessary according to the credit collection policy and draft any letter that might be necessary to send to these customers.

aore ltd

This amount is 14 days overdue and therefore a reminder letter must be sent to the customer

Date:

Dear Sir/Madam,

Account number: XXXXXXXX

I do not appear to have received payment of the invoices detailed below. I trust that this is an oversight and that you will arrange for immediate payment to be made. If you are withholding payment for any reason, please could contact me urgently and I will be pleased to assist you.

Invoices No	Terms	Due date	
Amount (Frw)467824		30 days	14
june	4,678,000		

If you have already made payment please advise me and accept my apology for having troubled you.

Yours sincerely,

Controller

Mory ltd

The invoice number 467831, for 888,000 Frw is seen days overdue and therefore a telephone call is necessary to the purchases ledger manager explaining that amount is overdue, determining whether there is any query with the amount and agreeing a date for payment of the overdue

Keita ltd

The invoice for 1,103,000 Frw is over two months overdue and should be instigated. Furthermore the policy is that once an amount is 30 days overdue the customer is put on the spot list. It would appear that this has not happened, as Keita ltd has recent amounts (<30 days) due totaling 5,145,000 Frw

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