higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N270(E)(J13)H

JUNE EXAMINATION

NATIONAL CERTIFICATE

COST AND MANAGEMENT ACCOUNTING N5

(4010185)

13 June 2014 (X-Paper)
09:00–12:00

Calculators may be used.

This question paper consists of 11 pages and an answer book of 13 pages.

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE
COST AND MANAGEMENT ACCOUNTING N5
TIME: 3 HOURS
MARKS: 200

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1. Ensure that all candidates use the ANSWER BOOK provided at the end of this question paper.

2. DO NOT ATTACH ANY OTHER ANSWER BOOK to the one provided at the end of this question paper.

3. Students will be penalised if the ANSWER BOOK provided at the back of this question paper is placed inside another ANSWER BOOK.

4. If the ANSWER BOOK provided at the end of this question paper is not stapled in the correct order, please instruct candidates to open the staple, put the ANSWER BOOK in the correct order and then re-staple ANSWER BOOK.

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions neatly in the ANSWER BOOK provided.

2. Read ALL the questions carefully.

3. Number the answers correctly according to the numbering system used in this question paper.

4. Do not use any other ANSWER BOOK to answer this question paper and do NOT attach any other ANSWER BOOK to the one provided at the end of this question paper.

5. ALL calculations, where applicable, MUST be shown.

6. Write neatly and legibly.

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SECTION A

QUESTION 1

1.1 Various options are provided as possible answers to the following questions. Choose the answer and make a cross under (A–D) next to the question number (1.1.1–1.1.20) in the ANSWER BOOK (provided).

1.1.1 Management accounting deals with providing …

A historical data.
B information for internal use.
C information to business competitors.
D information for external use.

1.1.2 One of the examples of people outside a business are the …

A managers.
B shareholders.
C owners.
D employees.

1.1.3 The decision by management to open a new branch is known as ... decision.

A an operational
B a temporary
C a strategic
D a permanent

1.1.4 One of the management functions is …

A bookkeeping.
B drawing up a cash budget.
C drawing up financial statements for a specific period.
D controlling.

1.1.5 An organisational chart will show …

A decisions taken at an annual general meeting.
B the various departments linked in a hierarchy.
C the closing of old branches in the future.
D the buying or renting of a building.

1.1.6 A production report is compiled to control …

A manufacturing overhead costs.
B raw materials used.
C the work in progress.
D labour cost.

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1.1.7 Idle time deals with …

A the time it takes to produce certain products.
B total numbers of hours worked by employees.
C the number of hours spent in the production department.
D lost time due to lack of material.

1.1.8 Actual manufacturing overheads are the …

A total of the overheads spent during the year.
B overheads for a short period of time.
C overheads budgeted for the period.
D overheads for the future.

1.1.9 The source document that is used with the purchases of raw material is the …

A invoice.
B stock card.
C credit note.
D debit note.

1.1.10 The monthly rental paid every month for a business rent is the … cost.

A variable
B opportunity
C fixed
D prime

1.1.11 One example of a worker's fringe benefits will be …

A early retrenchment
B suspended without pay.
C housing allowance.
D unpaid leave.

1.1.12 When the stock reaches the … point, a new order needs to be placed.

A economic order
B order
C minimum stock
D maximum stock

1.1.13 The total assets of the business will be shown in the …

A production cost statement.
B income statement.
C cash flow statement.
D balance sheet.

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1.1.14 The FIFO method of stock valuation means stock …

A bought last will be sold first.
B bought first will be sold first.
C will be sold at an average price.
D will be sold at cost price.

1.1.15 Prime costs involve …

A material cost plus direct labour.
B direct labour plus manufacturing overheads.
C material cost plus net income.
D material cost plus rent income.

1.1.16 Net wage is calculated as follows: Gross salary …

A minus overtime.
B minus total deductions.
C plus overtime.
D plus tax.

1.1.17 The size of the storing facilities is determined by calculating the …

A order point.
B economic order quantity.
C maximum stock.
D average stock.

1.1.18 The following formula is used to calculate average stock:

A Order point plus EOQ
B Maximum order period multiplied by maximum use
C Maximum order plus EOQ
D Opening stock plus closing stock divided by two

1.1.19 The issue of raw materials to production will be recorded in the journal as Dr … control.

A material control and Cr production
B material control and Cr finished goods
C production control and Cr material
D finished goods control and Cr material

1.1.20 The production cost statement is a summary of the …

A finished goods.
B material.
C production control account.
D manufacturing overheads.

(20 x 2) (40)

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1.2 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (1.2.1–1.2.5) in the attached ANSWER BOOK.

1.2.1 A job card is used to calculate the actual time spent on a specific job.

1.2.2 Indirect labour can be wage paid to the supervisor on the building site.

1.2.3 Fixed costs per unit change if levels of production change.

1.2.4 The income statement can show the total equity and liabilities.

1.2.5 Renting the premises can be known as a short-term decision.

(5 x 2) (10)

1.3 Choose the correct option of those given in brackets. Write only the correct word next to the question number (1.3.1–1.3.5) in the ANSWER BOOK.

1.3.1 (Over/Under) recovery occurs when the allocated overheads are more than the actual overheads.

1.3.2 (Buffer/Transit) forms the buffer between supply and consumption in situations where there is constant supply, but consumption is inconsistent.

1.3.3 (Order point/Size) can be determined by calculating the economic order quantity.

1.3.4 (Time/Piece) rate is when a worker is remunerated according to the work that he/she has done.

1.3.5 (Indirect/Direct) material forms an integral part of the finished product.

(5 x 2) (10)
[60]

TOTAL SECTION A: 60

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SECTION B

QUESTION 2

2.1 The following is an extract from the weekly payroll of Ms Paula Benade, a weekly paid employee:

Normal working hours	40 hours
Hours worked	48 hours
Units produced	650
Rate per hour	R175.50
Overtime rate	1½ times the normal rate
Production bonus for every 50 units produced	R35.50

DEDUCTIONS

- She contributes 7.5% of her normal wage towards pension fund. The employer agrees to contribute R1.50 for every R1.00 contributed by an employee.
- She contributes R75.00 per week towards medical aid and the employer contributes 50% of what she has contributed.
- PAYE is 8.5% of gross wage after pension is deducted.
- They both contribute according to legislation towards UIF.

REQUIRED:

Answer the following questions, by writing the answers next to the question number (2.1.1–2.1.10) in the ANSWER BOOK.

Calculate:

2.1.1	Ms Benade's total normal wage for the week	(2)
2.1.2	Her production bonus	(3)
2.1.3	The overtime pay for the week	(3)
2.1.4	How much she is contributing towards the pension fund	(3)
2.1.5	The PAYE tax paid by her	(4)
2.1.6	The total deductions contributed by her	(8)
2.1.7	Ms Benade's net wage for the week	(4)
2.1.8	The employer's total contributions	(6)
2.1.9	State TWO external factors that can influence labour productivity.	(2)
2.1.10	Name TWO types of wage systems in use to remunerate workers in a manufacturing company.	(4)

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2.2 The following appear in the books of Penelope Producers:

Production manager	Ms Malala
Marketing manager	Ms Chula
Financial manager	Ms Kok
CEO	Ms Gwebu
HR manager	Ms Tema
Management accountant	Ms Selala
Financial accountant	Ms Luke
Production supervisor	Ms Khume

REQUIRED:

Compile an organisational chart in the appropriate space in the ANSWER BOOK showing the positions and names of the above persons. Make use of arrows to illustrate who reports to whom. (8)

[47]

QUESTION 3

The following appear in the books of Frank Manufacturers:

Balance on 01 March 2013

Raw materials	R38 200.00
Work in process	R12 200.00
Finished goods	R32 800.00

Summary of transactions for the year ended 28 February 2014

Raw material bought	R225 000.00
Raw material issued to the factory	R192 500.00
Carriage on purchases	R45 300.00
Labour: Direct	R125 000.00
Labour: Indirect	R74 350.00
Rent: Factory	R84 500.00
Insurance: Factory	R96 000.00
Maintenance of factory plant	R32 000.00
Depreciation on factory plant	R10 800.00
Cost of sales of finished goods	R325 900.00
Sales (finished goods sold)	R487 500.00
Balance of unfinished goods on 28 February 2014	R11 200.00

ADDITIONAL INFORMATION:

Overheads are allocated at 80% of direct labour cost.

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REQUIRED:

Draw up the following ledger accounts:

3.1	Material control account	(6)
3.2	Labour control account	(5)
3.3	Manufacturing overheads control	(10)
3.4	Production control account	(7)
3.5	Finished goods	(5)
3.6	Cost of sales	(4)
3.7	Trading account	(5)
		[42]

QUESTION 4

4.1 Tlhabane Production has three employees involved in active production on Job B999, the production of 150 soccer balls for the local tournament.

The following labour hours were budgeted for Job B999:

21 working days of 8 hours per day each for the three employees.

The following hours were clocked for Job B999:

Mr. Langa	22 days of 8 hours
Mr. Mabona	18 days of 8 hours (3 days sick leave)
Ms. Swart	22 days of 8 hours

Budgeted production for Job B999	150 soccer balls
Actual production	Job B999 was completed

REQUIRED:

Compile a production report, showing the productivity recorded. (11)

BUSINESS STUDIES

4.2 The following information appear in the books of Hilda Juice producers:

Production costs for May 2014

Stock (1 May 2014)	R12 400.00
Purchases	R68 500.00
Stock (31 May 2014)	R16 200.00
Direct labour	R295 600.00
Rent of factory	R18 400.00
Insurance of factory	R35 600.00
Depreciation of factory machinery	R9 800.00
Cleaning materials	R11 900.00
Packing materials	R6 500.00

Hilda Juice produced 88 500 litres of mango and orange juice during May 2014.

REQUIRED:

Do the following calculations showing ALL the steps in your calculations:

4.2.1 Direct material used (5)

4.2.2 Prime costs (4)

4.2.3 Fixed overhead costs (5)

4.2.4 Total production costs (6)

4.2.5 Cost of one litre of juice (4)
[35]

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QUESTION 5

The cost accountant of Bona Manufacturers estimated the following costs for the year 2014:

Total manufacturing overheads for the year:	R320 000.00
The budgeted units:	38 000
Direct material costs per unit:	R85.00
Direct labour cost per unit:	R145.00
Labour hours per unit:	6 hours
Machine hours per unit:	3

REQUIRED:

Calculate the following:

5.1 The overhead application rate using direct labour hours as basis

5.2 The overhead application rate using direct labour cost as basis

5.3 The overhead application using budgeted units for the following year as basis

5.4 The overhead application rate using prime cost as basis

(4 x 4) **[16]**

TOTAL SECTION B: 140
GRAND TOTAL: 200

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EXAMINATION NUMBER

CENTRE NUMBER

COST AND MANAGEMENT ACCOUNTING N5

13 JUNE 2014

ANSWER BOOK

QUESTION 1	
QUESTION 2	
QUESTION 3	
QUESTION 4	
QUESTION 5	
TOTAL	
PERCENTAGE	

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EXAMINATION NUMBER

SECTION A

QUESTION 1

1.1

1.1.1	A	B	C	D
1.1.2	A	B	C	D
1.1.3	A	B	C	D
1.1.4	A	B	C	D
1.1.5	A	B	C	D
1.1.6	A	B	C	D
1.1.7	A	B	C	D
1.1.8	A	B	C	D
1.1.9	A	B	C	D
1.1.10	A	B	C	D
1.1.11	A	B	C	D
1.1.12	A	B	C	D
1.1.13	A	B	C	D
1.1.14	A	B	C	D
1.1.15	A	B	C	D
1.1.16	A	B	C	D
1.1.17	A	B	C	D
1.1.18	A	B	C	D
1.1.19	A	B	C	D
1.1.20	A	B	C	D

(20 x 2) (40)

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EXAMINATION NUMBER

1.2

1.2.1	
1.2.2	
1.2.3	
1.2.4	
1.2.5	

(5 x 2) (10)

1.3

1.3.1	
1.3.2.	
1.3.3	
1.3.4	
1.3.5	

(5 x 2) (10)
[60]

TOTAL SECTION A: 60

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EXAMINATION NUMBER

SECTION B

QUESTION 2

2.1

2.1.1		(2)
2.1.2		(3)
2.1.3		(3)
2.1.4		(3)
2.1.5		(4)
2.1.6		(8)
2.1.7		(4)

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EXAMINATION NUMBER

2.1.8		(6)
2.1.9		(2)
2.1.10		(4)

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EXAMINATION NUMBER

2.2 ORGANISATIONAL CHART OF PENELOPE PRODUCERS

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(8)
[47]

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QUESTION 3

EXAMINATION NUMBER

3.1 **MATERIAL CONTROL**

(6)

3.2 **LABOUR CONTROL**

(5)

3.3 **MANUFACTURING OVERHEADS CONTROL**

(10)

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EXAMINATION NUMBER

3.4 **PRODUCTION CONTROL**

(7)

3.5 **FINISHED GOODS**

(5)

3.6 **COST OF SALES**

(4)

3.7 **TRADING ACCOUNT**

(5)

[42]

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EXAMINATION NUMBER

QUESTION 4

4.1 PRODUCTION REPORT OF JOB B999

(11)

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EXAMINATION NUMBER

4.2

4.2.1 **DIRECT MATERIAL USED**

(5)

4.2.2 **PRIME/PRIMARY COSTS**

(4)

4.2.3 **FIXED OVERHEAD COSTS**

(5)

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EXAMINATION NUMBER

4.2.4 TOTAL PRODUCTION COSTS

(6)

4.2.5 COST OF ONE LITRE OF JUICE

(4)

[35]

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EXAMINATION NUMBER

QUESTION 5

5.1

5.2

5.3

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5.4

(4 x 4) [16]

TOTAL SECTION B: 140
GRAND TOTAL: 200

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