higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N270**(E)**(J14)H

NATIONAL CERTIFICATE

COST AND MANAGEMENT ACCOUNTING N5

(4010185)

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Nonprogrammable calculators may be used.

This question paper consists of 10 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

INSTRUCTIONS AND INFORMATION

1. Answer ALL the questions.
2. Read ALL the questions carefully.
3. Number the answers according to the numbering system used in this question paper.
4. Use only the ANSWER BOOK provided and do not attach any other ANSWER BOOK to the one provided with the question paper. Draw all necessary ledger and statement lines in the provided ANSWER BOOK.
5. Show ALL calculations where applicable.
6. Use only BLUE or BLACK ink.
7. Write neatly and legibly.

QUESTION NUMBER	MARKS
SECTION A	
1	60
TOTAL	**60**
SECTION B	
2	28
3	43
4	44
5	25
TOTAL	**140**
GRAND TOTAL	**200**

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SECTION A

QUESTION 1

1.1 Various options are given as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.1.1–1.1.20) in the ANSWER BOOK.

1.1.1 Underrecovery occurs when ...

A budgeted overheads are more than actual overheads.
B allocated overheads are more than actual overheads.
C actual overheads are more than allocated overheads.
D actual overheads are more than budgeted overheads.

1.1.2 ONE of the functions of a business:

A Planning
B Controlling
C Administration and selling
D None of the abovementioned

1.1.3 ONE of the methods used for stock valuation:

A First-in-first-out
B Average stock
C Order point
D Safety stock

1.1.4 ONE of the disadvantages of the piece wage system:

A Easy to administrate
B Production and remuneration are linked
C May lead to poor quality
D Both B and C

1.1.5 ONE of the human factors that can influence labour productivity:

A Political unrest
B Required productivity is set too high
C Weather conditions
D Workers required to work long hours

1.1.6 The applied manufacturing overheads for the financial period will be entered in the ...

A cash flow statement.
B sales account.
C income statement.
D production control account.

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1.1.7 Work in progress means …

A work that has not started yet.
B work that has not been approved yet.
C work that is still in the production process.
D None of the above

1.1.8 Short-term decisions are also known as ...

A decisions to buy or rent new premises.
B strategic decisions.
C decisions to open/close new branches of the company.
D operational decisions.

1.1.9 ONE of the management functions:

A Controlling
B Issuing pay slips
C Ordering stock
D Paying staff's salaries

1.1.10 The net loss for the period is calculated in the ...

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

1.1.11 Idle time means lost time due to …

A the wrong production processes.
B the overproduction of goods.
C a bottleneck in the production process.
D the incorrect ordering of material.

1.1.12 Cost and management accounting forms an interlink between financial accounting and ...

A business management.
B management accounting.
C entrepreneurship management.
D None of the above

1.1.13 Variable cost per unit …

A decreases when production levels increase.
B increases when production levels increase.
C remains constant, irrespective of changes in production levels.
D decreases when production levels decrease.

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1.1.14 When the stock reaches this level, a new order needs to be placed:

A Maximum stock point
B Order point
C Minimum stock point
D Economic order quantity point

1.1.15 Prime cost consists of …

A manufacturing overheads.
B direct labour.
C direct material.
D Both B and C

1.1.16 Stockholding cost …

A involves the loss of productivity due to a lack of material.
B is the cost of placing the order.
C is the cost incurred to store the material.
D Both A and B.

1.1.17 The different ways in which cost data are processed and evaluated are called ...

A cost systems.
B financial accounting.
C job costing.
D cost and management accounting.

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

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

1.1.19 Production involves the conversion of … into finished products.

A direct labour
B direct material
C indirect material
D elements of production

1.1.20 The monthly rental of R12 300 for a photocopier is a … cost.

A variable
B process
C fixed
D opportunity

(20 × 2) (40)

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1.2 Choose a description from COLUMN B that matches a term in COLUMN A. Write only the letter (A–H) next to the question number (1.2.1–1.2.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.2.1	Indirect labour	A	salaries of production workers
1.2.2	Safety stock	B	supplies information of interest to the company's shareholders
1.2.3	Leading	C	setting objectives and plans to achieve goals and objectives
1.2.4	Conversion costs	D	ensures that production can continue even if material is not delivered within the order time
1.2.5	Financial accounting	E	production manager's salary
		F	skill of influencing and motivating people to work together
		G	direct labour added to manufacturing overheads

(5 × 2) (10)

1.3 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'True' or 'False' next to the question number (1.3.1–1.3.5) in the ANSWER BOOK.

1.3.1 The use of predetermined overhead rates eliminates the need to accumulate actual manufacturing overhead costs during a financial period.

1.3.2 According to the weighted average method of stock valuation, material that is received first is issued first.

1.3.3 Fixed cost per unit remains constant irrespective of changes in the volumes produced.

1.3.4 The clock card is used to obtain information regarding the actual hours worked by each employee.

1.3.5 The term *integrated accounting* refers to a single accounting system, which includes the financial and cost accounts.

(5 × 2) (10)
[60]

TOTAL SECTION A: 60

SECTION B

QUESTION 2

2.1 The following information was taken from the books of Lucky Manufacturers:

PRODUCTION SCHEDULE FOR JUNE, JULY AND AUGUST 2017

Units produced	1 500	2 500	3 500
	R	R	R
FIXED COSTS			
Factory insurance	(2.1.1)	(2.1.2)	1 350
Depreciation: Machinery	(2.1.3)	3 000	(2.1.4)
Factory rental	4 000	(2.1.5)	(2.1.6)
Maintenance: Machinery	(2.1.7)	1 000	(2.1.8)
Total fixed costs	9 350		
VARIABLE COSTS			
Raw material	3 000	(2.1.9)	(2.1.10)
Factory: Electricity	(2.1.11)	4 000	(2.1.12)
Indirect labour	(2.1.13)	(2.1.14)	10 500
Indirect material	6 000	(2.1.15)	(2.1.16)
Total variable costs	(2.1.17)		
Total costs	(2.1.18)		
Fixed cost per unit	(2.1.19)		
Variable cost per unit	(2.1.20)		

REQUIRED:

Calculate the values numbered (2.1.1–2.1.20). Write only the answer next to the question number in the ANSWER BOOK. (20)

2.2 The management of Nonza Ltd consists of the following members:

Board of Directors
Management Accountant S Naicker
Production Manager N Venter
Chief Executive Officer D Jojo
Financial Manager E Koos
Human Resource Manager N Hilton
Financial Accountant K Mbhele
Supervisor: Production Department P Thuly

REQUIRED:

Compile an organisation chart of Nonza Ltd, showing the position and name of the person in that position. (8)

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QUESTION 3

3.1 Loraines Ltd is a business that produces computer desks. A total of 2m² of wood is used to manufacture one desk. The maximum production per year is 90 000 desks, while the minimum production per year amounts to 75 000 desks. It costs R65 to place an order. The maximum order time is three weeks and the minimum order time is two weeks. The factory operates 50 weeks per year. The stockholding cost per unit is equal to 10% of the stock cost per square meter. Wood is presently trading at R850 per square meter.

REQUIRED:

3.1.1 Calculate the order point. (6)

3.1.2 Calculate the economic order quantity. (9)

3.1.3 Calculate the maximum stock. (5)

3.2 The following information for Job 9 was extracted from the records of Bimbos Ltd for the month ended 30 November 2016.

Information relating to Job 9:

Number of employees:	3 employees
Budgeted labour hours:	8 hours per day
Number of days:	21 working days
Budgeted production:	100 chairs
Actual production:	Job 9 was completed

The following hours were clocked during November 2016:

Z Tshetu:	18 days @ 8 hours (3 days' sick leave)
P Faku:	22 days @ 8 hours
L van der Wyk:	22 days @ 8 hours

REQUIRED:

3.2.1 Compile a production report showing the productivity recorded. (15)

3.2.2 State TWO human factors that influence labour productivity. (4)

3.2.3 State TWO external factors that influence labour productivity. (4)

[43]

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QUESTION 4

The following information was extracted from the accounting records of Mavesh Lane Production Company for the year ended 30 November 2017:

	INVENTORIES	
	1 December 2016	**30 November 2017**
Raw materials	70 000	50 000
Work in progress	51 000	40 000
Finished goods	37 000	27 100
Debtors control	40 000	20 000
Consumer goods	10 000	8 000

TRANSACTIONS:

Raw materials purchased on credit	770 000
Raw materials issued to the factory	?
Indirect material transferred to the factory	25 000
Raw material returned to suppliers purchased on credit	30 000
Sales income	3 357 000
Administrative salaries	130 000
Direct labour	1 005 000
Sales commissions paid	40 000
Production supervisors' salaries	92 000
Depreciation on plant and machinery	70 000
Depreciation on office equipment	90 000
Plant and machinery maintenance	110 000
Plant: Water and electricity	150 000
Office maintenance	30 000
Production equipment rent	80 000
Office equipment rent	63 000

Overheads are allocated at 50% of direct labour costs.

REQUIRED:

Compile the following ledger accounts in an integrated accounting system:

4.1 Raw material control account (8)

4.2 Production control account (8)

4.3 Finished goods control account (5)

4.4 Cost of sales (3)

4.5 Manufacturing overheads (10)

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4.6 Trading account (3)

4.7 Profit and loss account (7)
[44]

QUESTION 5

The following information appeared in the trial balance of TOTY Ltd on 31 March 2017.

	Inventories	
	1 February 2016	**31 March 2017**
Material control	85 000	45 000
Work in progress	44 000	32 000
Finished goods	36 000	18 000

Transactions for the year ended 31 March 2017:

Material purchased from creditors	555 000
Indirect material transferred to the factory	88 000
Raw material returned to the supplier	15 000
Sales of finished goods	940 000
Direct wages paid	440 000
Factory rent	146 000
Salary: Production Manager	236 000
Salary: Sales Manager	388 000
Retained profit	420 000
Share capital	880 000
Debtors control	98 000
Accumulated depreciation: Factory equipment	64 000
Factory equipment	340 000

Additional information:

- Manufacturing overhead recovered during the financial year amounted to R656 000
- Depreciation of R45 000 must be written off on factory equipment

REQUIRED:

5.1 Prepare a production cost statement for the year ended 31 March 2017. (20)

5.2 Calculate the cost of goods sold for the year ended 30 June 2016. (5)
[25]

TOTAL SECTION B: 140
GRAND TOTAL: 200

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