higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE

COST AND MANAGEMENT ACCOUNTING N5

(4010185)

14 June 2021 (X-paper)
09:00–12:00

Nonprogrammable calculators may be used.

This question paper consists of 10 pages and an answer book 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 in the ANSWER BOOK provided.
2. Read all the questions carefully.
3. Write your EXAMINATION NUMBER and CENTRE NUMBER on every page of the ANSWER BOOK.
4. Use only a black or blue pen.
5. Write neatly and legibly.

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SECTION A

QUESTION 1

1.1 Various options are given as possible answers to the following questions. Choose the correct 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 The organogram indicates the … ⌘

A positions of the company's management.
B goals of the company.
C efficiency of every employee.
D functions of the general manager.

1.1.2 The link between financial accounting and cost and management accounting is …

A cost calculations.
B financial accounting .
C management accounting.
D cost and management accounting.

1.1.3 Total production cost consists of …

A direct material plus manufacturing overhead cost.
B direct material plus direct labour.
C direct labour plus manufacturing overhead cost.
D prime costs plus manufacturing overhead cost.

1.1.4 Long-term decisions are also known as … decisions.

A business
B strategic
C creditors
D government

1.1.5 Shareholders are people with a primary interest ⌘ in the company's ability to …

A pay debts.
B pay salaries in the foreseeable future.
C improve the value of investments in the company.
D Both A and B

1.1.6 The salary paid to a receptionist is known as a … cost.

A variable ⌘
B sunk
C manufacturing overhead
D period

1.1.7 One of the elements of production cost is … cost.

A manufacturing overhead
B direct labour
C process
D Both A and B

1.1.8 An advantage of the perpetual stock valuation system is that …

A no continuous stock records are kept. ⌘
B stock balances are always available.
C stock is counted and valued at cost price.
D a period physical stocktaking is done.

1.1.9 Planning involves …

A describing the steps to be taken to move the business towards reaching its goals.
B the development of objectives in an organisation.
C comparing the actual performance with the original plans.
D preparing budgets to achieve goals.

1.1.10 The main aim of management accounting is to …

A protect the interest of people outside the business, as prescribed by law.
B use historical data to interpret information. ⌘
C place more emphasis on the importance and adaptability of formation.
D supply the documentation that is used to draw up financial records.

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

A economic order quantity.
B maximum stock.
C order point.
D Both A and B ⌘

1.1.12 Stock holding cost …

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

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1.1.13 The issue of raw materials to production is recorded in the general 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

1.1.14 The salary paid to the personal assistant of the managing director can be classified as a/an … cost.

A administrative
B production
C indirect labour
D direct labour

1.1.15 Idle time means lost time due to …

A bottlenecks in the production process.
B breakdowns in factory machinery.
C delays in the delivery of material.
D Both A and B

1.1.16 Calculation of the gross salary of an employee:

A Normal hours plus overtime hours
B Normal remuneration plus overtime remuneration plus fringe benefits
C Normal remuneration plus overtime remuneration less fringe benefits
D Normal hours multiplied with the overtime rates

1.1.17 Total wages consist of …

A direct wages plus indirect wages plus nonmanufacturing wages.
B normal time plus overtime plus production bonuses.
C gross wages less deductions.
D net wages plus employer contributions.

1.1.18 Over-recovery occurs when the …

A actual overheads are more than the applied overheads.
B applied overheads are more than the actual overheads.
C budgeted overheads are added to an applicable base.
D total manufacturing overheads are spent during the financial period.

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1.1.19 Under-recovery of overheads occur when … overheads.

A allocated overheads are more than actual ⌘
B budgeted overheads are less than actual
C actual overheads are more than allocated
D allocated overheads are less than budgeted

1.1.20 Actual manufacturing overheads are the …

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

(20 × 2) (40)

1.2 Indicate whether the following statements are TRUE or FALSE by writing only 'True' or 'False' next to the question number (1.2.1–1.2.5) in the ANSWER BOOK.

1.2.1 Wages paid to the factory security guard are regarded as direct labour. ⌘

1.2.2 Variable cost per unit changes in direct proportion to the number of units produced.

1.2.3 Controlling, as a management function, involves the preparation of various budgets.

1.2.4 Prime costs are production costs.

1.2.5 Stock in transit is stock that has already been purchased from suppliers and is in the process of being delivered.

(5 × 2) (10)

1.3 Choose the correct term from those in brackets. Write only the answer next to the question number (1.3.1–1.3.5) in the ANSWER BOOK.

1.3.1 (Organising/Leading) is the management skill of influencing and motivating people to work together. ⌘

1.3.2 (Unit cost/Fixed cost) is the cost of producing one unit of a product.

1.3.3 (Planning/Organising) takes place when coordinating the enterprise resources in such a way that its plans are carried out effectively.

1.3.4 (Sunk cost/Opportunity) cost is the potential loss or sacrifice when the company had to give up a certain course of action.

1.3.5 (Prime cost/Period cost) are cost not related to a specific product, but to the time in which it was incurred.

(5 × 2) (10)
[60]

TOTAL SECTION A: 60

SECTION B

QUESTION 2

The following appears in the books of Blue Garden Horse Manufacturers: ⌘

BALANCES ON 1 MARCH 2018	RAND
Raw materials	240 800
Work-in-process	92 400
Finished goods	215 600

SUMMARY OF TRANSACTIONS FOR THE YEAR ENDED 28 FEBRUARY 2019

	RAND
Cash purchases of raw materials	1 892 800
Carriage on purchase paid cash	313 600
Raw materials issued for processing	1 900 000
Labour: Direct	2 088 800
Labour: Indirect	375 200
Rent factory	711 200
Insurance of factory	58 800
Maintenance of plant	411 600
Depreciation on plant	14 560
Indirect materials issued	12 400
Cost of sales (finished goods)	5 801 600
Sales (finished goods)	8 749 440
Closing balance unfinished goods (28 February 2019)	136 640

ADDITIONAL INFORMATION

Manufacturing overheads are allocated at 80% of the direct labour cost.

REQUIRED

Prepare the following ledger accounts:

2.1 Materials control ⌘ (7)

2.2 Labour control (5)

2.3 Manufacturing overheads control (10)

2.4 Production control (8)

2.5 Finished goods control account (6)

2.6 Cost of sales ⌘ (4)

2.7 Trading account (4)

[44]

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QUESTION 3

3.1 Mrs Cash de Koker owns a business that does upholstering on chairs. 4 m² of material are used to upholster one chair. Production for the year is 650 000 chairs. The business operates for 50 weeks a year. ⌘

It costs R80 to place an order. Maximum order time is four weeks and minimum order time is two weeks. Maximum production is 1 400 chairs per week and minimum production is 1 200 chairs per week. Holding cost of stock per annum is equal to 20% of the cost material per m². Material cost is R125 per m².

REQUIRED

Calculate the following and show all the formulas and calculations:

3.1.1 The order point (5)

3.1.2 Economic order quantity (9)

3.1.3 Maximum stock (6)

3.2 Milli Manufacturers produces charm bracelets. The following information was supplied to you:

Total variable cost	R200 000
Total fixed cost	R100 000 ⌘
Units produced	25 000

REQUIRED (Show all the calculations.)

3.2.1 Calculate the fixed cost per unit.

3.2.2 Calculate the variable cost per unit.

3.2.3 Calculate the total fixed cost if 30 000 bracelets were produced. ⌘

3.2.4 Calculate the total variable cost if 30 000 bracelets were produced.

3.2.5 Calculate the total cost if 30 000 bracelets were produced.

(5 × 3) (15)

[35]

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QUESTION 4

The following information was submitted to you as the cost and management accountant of Knives & Forks CC: ⌘

DETAILS	RAND
OPENING INVENTORIES (1 JANUARY 2019)	
*Material	950 000
*Finished goods	470 000
*Work-in-process	370 000
TRANSACTIONS DURING 2019	
Direct factory wages	1 300 000
Factory rent	600 000
Salary: Production manager	840 000
Salary: Marketing manager	1 000 000
Net profit	470 000
Trade and other receivables (debtors control)	320 000
Material returned to suppliers	170 000
Factory equipment at cost	3 320 000
Depreciation (20% p.a. according to the cost price method)	?
Material received from suppliers	1 620 000
Rates and taxes: Factory	250 000

ADDITIONAL INFORMATION

1. Manufacturing overheads recovered during the year: R2 220 000	
2. Closing inventories (31 December 2019):	
*Material	620 000
*Finished goods	270 000
*Work-in-process	170 000

REQUIRED

4.1 Prepare a production cost statement for the year ended 31 December 2019. (22)

4.2 Calculate the cost of goods sold during the year ended 31 December 2019. ⌘ (6)

[28]

QUESTION 5

5.1 The following is an extract from the weekly payroll of Mrs Naidoo, a weekly paid employee: ⌘

Normal working hours per week	40 hours
Hours worked	45 hours
Units produced	200 units
Normal wage per hour	R75,00
Overtime rate	1,5 times normal rate
Production bonus for every 20 units completed	R18,50
Commission received for sales	R555,55

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PENSION FUND * She contributes 27,5% of normal income, the maximum amount allowed by SARS to the fund.
MEDICAL FUND, EMPLOYEE'S CONTRIBUTION * She contributes R35,00 per week towards her medical fund.
INCOME TAX (PAYE) * 7,5% of gross wages after pension has been deducted.
Mrs Naidoo contributes according to legislation towards the UIF.

REQUIRED

Calculate Mrs Naidoo's net wage for week 15 of the current year. ⌘ (18)

5.2 Leko Ltd has provided you with the following information for August 2019:

BUDGETED INFORMATION

Working days per month	22 days
Number of employees	3
Normal working hours per day	8 hours
Units produced	400 per month

ACTUAL INFORMATION ⌘

Summary of clock cards

R Moodley	19 days @ 8 hours per day (3 days sick leave)
N Moletsane	22 days @ 8 hours per day
K Mkhize	22 days @ 8 hours per day

Units manufactured in August of the current year: 390 units

REQUIRED

Prepare the following reports of Leko Ltd for August 2019:

5.2.1 Production report ⌘ (11)

5.2.2 Productivity report (4)

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TOTAL SECTION B: 140
GRAND TOTAL: 200

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