higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE

COST AND MANAGEMENT ACCOUNTING N5

(4010185)

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09:00–12:00

This question paper consists of 11 pages and an answer book of 9 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 (attached). Write your EXAMINATION NUMBER and CENTRE NUMBER on each page in the spaces provided.

2. Read ALL the questions carefully.

3. 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 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 Rates and taxes are paid towards the land and buildings of the company's factory would be classified as a/an … cost.

A sunk
B period
C manufacturing
D opportunity

1.1.2 … accounting places less importance on accuracy and more on other aspects than the money value.

A Cost
B Internal
C Financial
D Management

1.1.3 Which ONE of the following will NOT be associated with prime cost?

A Direct labour
B Direct material
C Indirect production cost
D Direct production cost

1.1.4 Which ONE of the following is NOT ONE of the three types of costs that play an important role in materials stock control?

A Cost of placing the order
B Out-of-stock costs
C Standard stock costs
D Holding cost

1.1.5 Which ONE of the following will NOT influence the selecting a supplier?

A The cost to keep raw material in stock
B Reliability of the supplier
C Quality of the product
D Prices and conditions of payment

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1.1.6 Under-recovery manufacturing overheads means …

A the allocated overheads are more than the actual overheads.
B the actual overheads are more than the allocated overheads.
C budgeted overheads are more than the actual overheads.
D None of the above.

1.1.7 The production cost statement is drawn to calculate the …

A total cost of material used for the year.
B gross profit for the year.
C equity and liability of the business for the year.
D cost of production of finished goods for the year.



1.1.8 The manufacturing overhead control account is drawn to calculate the …

A total actual overheads spent during a financial period.
B total primary costs.
C cost of material used for the period.
D net profit for the period.



1.1.9 Applied manufacturing overheads means …

A total manufacturing overheads paid for the year.
B allocating manufacturing overheads to a specific item.
C forecasting the manufacturing overheads for a future period.
D All of the above.

1.1.10 The human resources department deals with …

A maintaining employees' personnel records.
B ordering of raw materials needed for production.
C staff remuneration.
D Both A and C.



1.1.11 EOQ means …

A equity organisation quantity.
B economic organisation quantity.
C economic order quantity.
D economic order quality.

1.1.12 Finished goods are …

A the completed products intended for sale.
B products that are not yet ready to be sold.
C secondary raw materials needed in the production process.
D raw materials that can be seen in a product.



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1.1.13 Quantitative information deals with …

A the number of units produced.
B buying the business premises.
C setting goals for the business.
D salary paid to the manager's secretary.

1.1.14 Long-term decisions in the company involve ...

A what media to use for advertising new products .
B investing in a new plant.
C the number of units of each product to produce.
D determining the selling price for the units produced.

1.1.15 An organisational chart is drawn to illustrate the …

A shareholders in the company.
B owners of the company.
C names of suppliers in the company.
D working units or manageable divisions in the company.

1.1.6 The formula to use when calculating depreciation according to the diminishing balance method:

A Units produced this financial period multiplied by the cost per unit divided by budgeted units over the expected period.
B Cost price multiplied by the percentage given.
C Cost price minus accumulated depreciation multiplied by the percentage given.
D None of the above.

1.1.17 Variable cost …

A refers to the direct production costs.
B remains constant irrespective of the changes in the number of units produced.
C changes in direct proportion to the changes in the volume of production.
D None of the above.

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1.1.18 Only three types of costs play an important role in material stock control.

Which ONE of the following is NOT one of them?

A Out of stock costs
B Cost of holding stock
C Cost of placing the order
D Cost of renting a storeroom

1.1.19 A payroll is compiled to keep a record of the …

A actual time spent on a specific job.
B actual cost of a specific job.
C time recorded on the clock card.
D remuneration of workers.

1.1.20 The production report is compiled to control …

A manufacturing cost.
B labour cost.
C time lost due to various reasons.
D workers' productivity.

(20 × 2) (40)

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 ANSWER BOOK.

1.2.1 The term “integrated accounting” refers to a single accounting system which includes both financial and cost accounts.

1.2.2 Clock cards are used to record information regarding the actual hours worked by each employee.

1.2.3 Management accounting is concerned with the provision of information to people outside the business.

1.2.4 Allocation rates will be budgeted overheads divided by a suitable basis.

1.2.5 When recording direct material purchased one will debit the creditors control account and credit the material control account.

(5 × 2) (10)

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1.3 Indicate whether the following descriptions are examples of DIRECT MANUFACTURING COST, INDIRECT MANUFACTURING COST or NON-MANUFACTURING COST. Choose the answer and write only 'Direct manufacturing cost', 'Indirect manufacturing cost' or 'Non-manufacturing cost' next to the question number (1.3.1–1.3.5) in the ANSWER BOOK.

1.3.1 Wages paid to workers moving scaffolding on the building site.

1.3.2 Wages paid to workers assembling components of production.

1.3.3 Wages paid to the cleaners cleaning the administration offices.

1.3.4 Wages paid to the painter on the factory maintenance team.

1.3.5 Wages paid to workers for idle time when a machine breaks down.

(5 × 2) (10)

[60]

TOTAL SECTION A: 60

SECTION B

QUESTION 2

The following appears in the books of Loyd Manufacturers:

Balance on 1 December 2017

Raw materials	R26 400
Work in process	9 850
Finished goods	22 600

SUMMARY OF TRANSACTIONS FOR THE MONTH ENDED DECEMBER 2017

Cash purchases of raw materials	292 000
Carriage on purchases paid cash	35 600
Raw materials issued for processing	284 000
Labour: Direct	200 000
Labour: Indirect	38 200
Rent for factory	84 300
Insurance for factory	6 480
Maintenance of plant	38 300
Depreciation on plant	13 800
Cost of sales of finished goods	420 000
Sales (finished goods sold)	780 000
Balance of unfinished goods on 31 December 2017	14 800

Overheads are allocated at 80% of direct labour cost.

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REQUIRED

Draw up the following ledger accounts:

2.1	Raw materials	(6)
2.2	Labour control	(5)
2.3	Manufactured overheads control	(8)
2.4	Production control	(8)
2.5	Finished goods	(5)
2.6	Cost of sales	(4)
2.7	Profit and loss	(4)
		[40]

QUESTION 3

The following appears in the books of Mavesh Manufacturers concerning item MAC33:

DESCRIPTION		
Annual usage of material	120 000 units	
Maximum usage per month	12 000 units	
Minimum usage per month	9 000 units	
Safety stock	6 000 units	
	Maximum	**Minimum**
Delivery time for material	4 months	2 months

The cost to place an order is R40 and the cost to store one unit of material for a year is R1,20.

REQUIRED

Calculate the following:

3.1	The order point	(4)
3.2	The economic order quantity	(6)
3.3	The maximum stock level	(5)
3.4	The average stock	(5)
		[20]

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QUESTION 4

The following information was taken from the books of Nelly Manufacturers:

	INVENTORIES	
	1 March 2016	**28 February 2017**
Material control	12 000	14 000
Work in process	18 000	26 000
Finished goods	28 000	32 000
Factory equipment (cost price R14 000)	12 000	

TRANSACTIONS RECORDED

Materials purchased from creditors	154 000
Factory rent paid	26 000
Factory electricity paid	22 000
Factory direct wages paid	189 000
Salary paid to factory supervisor	38 000
Direct material transferred to factory	236 000
Indirect material transferred to factory	10 000
Sales of finished goods	580 000
Manufacturing overheads recovered	105 000
Selling and administration costs	45 000
Depreciation on factory equipment = 20% on the diminishing balance method	?

REQUIRED

4.1 Prepare a production cost statement for the year ended on 28 February 2017 (20)

4.2 Calculate the income statement for the year ended on 28 February 2017 (10)

[30]

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QUESTION 5

Toyz Manufacturers uses a continuous stock system. The following transactions occurred during April 2017:

DATE	UNITS MANUFACTURED	UNITS ISSUED
01 April	Opening stock	2 200
03 April	400 @ R8,00	
09 April		1 200
12 April	300 @ R13,00	
15 April		990
19 April	Return 150 to the supplier (received on 12 April)	
25 April		450
31 April	850 @ R15,50	



REQUIRED

Calculate the value of stock as at 30 April 2017 using the first-in-first-out method of valuation. **[20]**

QUESTION 6

6.1 The following applies to Calvin Meeto, an employee who is paid weekly:

Normal working hours per week	40 hours
Hours worked	48 hours
Number of units produced	300 units
Normal rate per hour	R75
Overtime rate	1½ of normal rate
Production bonus for every 50 units produced	R35



Deductions are as follows:

Pension fund is 7,5% of the normal wage
PAYE is 20% of the taxable income on gross wage
UIF is 1% of the normal wage
Medical aid is 5% of the normal wage
R15 per week for union membership

REQUIRED

Calculate the net wage for Calvin Meeto. (20)

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6.2 You are the cost accountant of Locter Ltd, a company that produces and sells wooden tables.

You have received the following information:



6 metres of raw material @ R8 per metre is required per table
It takes 2 hours and 30 minutes to produce one table @ R12 per hour
Manufacturing overheads are calculated @ R16 per table
200 tables were produced for the month of August 2017

Calculate each of the following:

6.2.1 The total production cost for August  (8)

6.2.2 Total production cost per unit for August (2)

[30]

TOTAL SECTION B: 140
GRAND TOTAL: 200

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