higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

# NATIONAL CERTIFICATE

# COST AND MANAGEMENT ACCOUNTING N5

(4010185)

**14 October 2020 (X-paper)**
**09:00–12:00**

**This question paper consists of 11 pages and an answer book of 12 pages.**

247Q1B2014

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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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**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. Answer the questions in the ANSWER BOOK provided.
5. Use only a black or blue pen.
6. 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 The cost incurred for receiving an order from a client and delivering the finished goods to the client is known as …

A selling cost.
B administration cost.
C production cost.
D selling and administration cost.

1.1.2 The total fixed cost …

A remains constant even if there is a change in volume produced.
B changes when there is a change in production levels.
C is cost that changes constantly.
D changes in relation to volumes produced.

1.1.3 Management accounting is concerned with provision of information to …

A persons outside the company.
B persons inside the company.
C creditors.
D the government.

1.1.4 Financial accounting …

A provides information to internal users.
B focuses on the departments within the company.
C provides information to external users.
D provides information to company employees.

1.1.5 Rates and taxes paid to the municipalities are considered to be … cost.

A prime
B production
C fixed
D process

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1.1.6 The following formula is used to calculate the order point:

A Amount of inventory needed less by-products.
B Maximum production material plus manufacturing overhead costs.
C Maximum order period multiplied by maximum usage.
D Amount of material needed less amount of material used.

1.1.7 The FIFO method of stock valuation means that stock …

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

1.1.8 The transfer of finished goods from the factory will be recorded in the general ledger as follows:

A Debit finished goods control and credit production control.
B Debit cost of sales and credit finished goods control.
C Debit production control and credit finished goods.
D Debit material control and credit finished goods.

1.1.9 … accounting places less importance on accuracy and more on other aspects like monetary value.

A Internal
B Financial
C Cost
D Management

1.1.10 Prime production costs consist of …

A direct material plus conversion costs.
B direct material plus direct labour costs.
C direct labour plus conversion costs.
D direct material plus manufacturing overheads.

1.1.11 Joel Designs were asked to manufacture a table to a customer's specifications. The costing for this order is known as … costing.

A process
B job
C prime
D product

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1.1.12 The costs matched against revenues on a time period basis are called …

A sunk costs.
B period costs.
C variable costs.
D fixed costs.

1.1.13 Production costs are…

A the costs involved in the manufacturing of a product.
B those future costs that will be changed by a decision.
C the costs associated with a given accounting period rather than a given product.
D those costs that may be saved by not accepting a given alternative.

1.1.14 Ms Venter is paid according to the piece rate system and her wages are calculated as follows:

A Units produced multiplied by the rate per unit
B Hours worked multiplied by the rate per hour
C Units produced multiplied by the rate per hour
D Hours worked multiplied by the rate per unit

1.1.15 Productivity is an important element in the running of a successful business, but lost time may occur for reasons such as machine breakdowns, bottlenecks and a lack of materials. This time is known as …

A production time.
B overtime.
C idle time.
D unproductive time.

1.1.16 Rent of the factory is considered to be a … cost.

A product
B variable
C actual manufacturing overhead
D B and C

1.1.17 The following forms part of wage control:

A Planning
B Leading
C Organising
D Staff records

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1.1.18 The general ledger to record the under-recovery of manufacturing overheads is:

A Debit cost of sales, credit manufacturing overheads control account.
B Debit manufacturing overheads control account, credit cost of sales.
C Debit cost of sales, credit finished goods control account.
D Debit cost of sales, credit inventory (trading stock).

1.1.19 The general ledger to record the over-recovery of manufacturing overheads is:

A Debit cost of sales, credit manufacturing overheads control account.
B Debit manufacturing overheads control account, credit cost of sales.
C Debit cost of sales, credit finished goods control account.
D Debit cost of sales, credit inventory (trading stock).

1.1.20 Work-in-process means …

A work not started yet.
B work approved by architect.
C work still to be finished.
D finished work.

(20 × 2) (40)

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1.2 Choose a description from COLUMN B that matches a word or an item in COLUMN A. Write only the letter (A–G) 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 | wages of production employees |
| 1.2.2 | Order point | B | supplies information of interest to the company's shareholders |
| 1.2.3 | Leading | C | the setting of objectives and the plans to achieve these goals and objectives |
| 1.2.4 | Conversion cost | D | stock must reach a certain point before a new order is placed. |
| 1.2.5 | Direct labour | E | salary of the production manager |
| | | F | the skill of influencing and motivating people to work together |
| | | G | direct labour plus manufacturing overheads |

(5 × 2) (10)

1.3 Define the following concepts:

1.3.1 Safety stock

1.3.2 Applied manufacturing overheads

1.3.3 Piece rate system

1.3.4 Fringe benefits

1.3.5 Financial statements

(5 × 2) (10)
**[60]**

**TOTAL SECTION A: 60**

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## SECTION B

## QUESTION 2

2.1 You are the cost and management accountant of Hullets Manufacturers and you have received the following information about item LVT102.

Sash Tree Ltd requires 30 000 tons of the material, LVT102, per annum, which will be used at a constant rate. The storing cost per litre is R10,00 per year, but it has recently been increased by 15%. The order cost per ton was R20 but it has increased by 20%. The maximum order time is 3 weeks while the minimum order time is 1 week. The company operates 40 weeks in a year.

The maximum usage is 2 500 tons per week and the minimum usage is 1 500 tons per week.

REQUIRED (show all formulae and calculations):

2.1.1 Calculate the order point (4)

2.1.2 Calculate the economic order quantity (9)

2.1.3 Calculate the maximum stock (5)

2.2 Jacaranda Producers concluded the following transactions with regard to inventory item LL001 during September of this year:

| | |
|---|---|
| 01 | Opening inventory on hand totalled 280 units @ R18 each |
| 03 | Purchased 600 units @ R10,00 each |
| 09 | Transferred 210 units to the factory |
| 12 | Bought 900 units @ R15,00 each |
| 15 | Issued 200 units to the factory |
| 19 | Returned 800 units to the supplier due to defects (received on the 12 September) |
| 25 | Transferred 100 units to the production department |
| 30 | Purchased 230 units @ R19,00 each |

REQUIRED:

Calculate the value of material LL001 using first-in-first-out method.
(Round off all amounts to two decimals.) (20)
**[38]**

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## QUESTION 3

The following is an extract from the weekly pay of an employee, Mr S Gumede, for the week ended 24 January 2020.

| | |
|---|---|
| Normal working hours per week: | 40 hours |
| Hours worked: | 46 hours |
| Units produced: | 2 500 |
| Normal wage per hour: | R150 |
| Overtime rate: | 1½ times normal rate |
| Production bonus for every 100 units produced: | R100 |

| |
|---|
| Pension fund:<br>• The employee contributes 27,5% of his gross remuneration.<br>• The employer contributes 50% of the employee's contribution. |
| Medical aid, employee contribution:<br>• The employee contributes R500 towards his medical fund and his employer contributes R2 for every R1 contributed by the employee. |
| Income tax (PAYE):<br>• 18% of gross wage after pension has been deducted. |
| Mr Gumede and his employer contribute towards the UIF according to legislation. |

REQUIRED (show all calculations):

3.1 Calculate Mr S Gumede's net wage for the week ended 24 January 2020. (23)

3.2 Calculate the employer's contribution towards the employee's medical aid. (3)

3.3. Calculate the employer's contribution towards the employee's UIF. (3)

3.4 Calculate the employer's contribution towards the employee's pension. (3)

**[32]**

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## QUESTION 4

The following appears in the books of Hand Trowel Manufacturers:

| Balances on 1 January 2019 | Rand |
|---|---|
| Raw materials | 382 000 |
| Work-in-process | 122 000 |
| Finished goods | 328 000 |

**Summary of transactions for the year ended 31 December 2019**

| | Rand |
|---|---|
| Raw material bought on credit | 2 250 000 |
| Raw material issued to the factory | 1 925 000 |
| Carriage on purchase | 453 000 |
| Labour: direct | 1 250 000 |
| Labour: indirect | 743 000 |
| Rent: factory | 845 000 |
| Insurance: factory | 960 000 |
| Maintenance on plant | 320 000 |
| Depreciation on plant | 108 000 |
| Cost of finished goods sold | 3 259 000 |
| Sales (finished goods sold) | 4 875 000 |
| Closing balance of unfinished goods on 31 December 2019 | 112 000 |

ADDITIONAL INFORMATION:

Manufacturing overheads are allocated at 85% of direct labour costs.

REQUIRED:

Prepare the following general ledger accounts in the integrated accounting system:

4.1 Raw material control (6)

4.2 Manufacturing overhead control (10)

4.3 Production control (8)

4.4 Finished goods control (5)

4.5 Cost of sales (4)

**[33]**

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## QUESTION 5

5.1 The following information appears in the books of Bargain Manufacturing for the year ended 30 November 2019:

| Details | Rand |
|---|---|
| Net profit | 543 000 |
| Work in process | 40 000 |
| Finished goods inventory | 46 000 |
| Trade and other payables (creditors control) | 10 000 |
| Petty cash | 8 000 |
| SARS | 41 000 |
| Trade and other receivables (debtors control) | 163 000 |
| Bank | 89 000 |
| Land and buildings | 1750 000 |
| Equipment | 450 000 |
| Vehicles | 800 000 |
| Drawings | 65 000 |
| Long-term loan | 90 000 |
| Capital | 2727 000 |

REQUIRED:

Prepare the statement of financial position (balance sheet) of Bargain Manufacturing as on 30 November 2019. (25)

5.2 The cost accountant of Tulip Manufacturers estimated the following costs for the year 2019:

| | |
|---|---|
| Budgeted manufacturing overheads for the year | 3 420 000 |
| Budgeted units | 38 000 units |
| Budgeted direct material cost per unit | R85,00 |
| Budgeted direct labour cost per unit | R145,00 |
| Budgeted labour hours per unit | 6 hours |
| Budgeted machine hours per unit | 3 hours |

REQUIRED:

Calculate the following (show all formulae and calculations):

5.2.1 The overhead application rate using direct labour hours as basis (4)

5.2.2 The overhead application rate using direct labour cost as basis (4)

5.2.3 The overhead application rate using budgeted units as basis (4)

**[37]**

**TOTAL SECTION B: 140**
**GRAND TOTAL: 200**

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