



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE

COST AND MANAGEMENT ACCOUNTING N6

(4010196)

22 November 2019 (X-Paper)

09:00–12:00

This question paper consists of 9 pages and an ANSWER BOOK of 14 pages.


DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA
NATIONAL CERTIFICATE
COST AND MANAGEMENT ACCOUNTING N6
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. Write neatly and legibly.
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SECTION A**QUESTION 1**


- 1.1 The following information was extracted from the books of Desire Supermarket:

MATERIAL ACCOUNT 


Creditors	20 000	?	15 000
Bank	5 000	Balance	?
	25 000		25 000





- 1.1.1 Explain the difference between the TWO transactions on the debit side of the books. (4)
- 1.1.2 Briefly explain what you understand from the transaction showing an amount of R15 000.  (2)
- 1.1.3 Calculate the material on hand. (2)
- 1.1.4 Did the business incur any liabilities? To how much did these liabilities amount? (2)
- 1.2 Phethany Ltd has provided you with the following incomplete variable budget. Calculate the missing amounts and write your answer next to the question number (1.2.1–1.2.10) in your ANSWER BOOK.

	80%	90%	100%
Variable cost			
Fuel	1.2.1	4 500	1.2.2
Electricity	3 300	1.2.3	1.2.4
Indirect material	1.2.5	1.2.6	9 000
Fixed cost			
Rent	1.2.7	1.2.8	9 000
Depreciation	1.2.9	5 000	1.2.10


- 1.3 Thendo Builders is working on two contracts, AX and AB. The information set out below was extracted from the books of the business. Its financial year ends on 31 August 2017. 

Contract AX	
Balance (material)	R75 000
Material issued	R25 000
Material on hand (31/08/17)	R10 500
Material transferred from AX to AB	R3 500
Certified work	R150 000
Extras	R?
Contract price	R125 000



- 1.3.1 Calculate the material used in contract AX.  (4)
- 1.3.2 How much are the extras, taking into account that contract AX was completed during this period? (2)
- 1.3.3 Explain the difference between *contractor* and *contractee*. (2 × 2) (4)
- 1.4 Johnson and Kids has provided you with the following information for the year ended 30 June 2017:
- The total cost of producing 15 000 cars is R450 000. The variable cost is R20 per unit. 
- NOTE:** The selling price of each car is calculated by adding R20 to the total cost per car.
- 1.4.1 What is the variable cost of 15 000 cars? (2)
- 1.4.2 Calculate the selling price of each car. Show ALL your calculations. (4)
- 1.4.3 What will be the safety margin in units if the break-even quantity is at 12 000 units? (2)
- 1.4.4 Explain the difference between *variable cost* and *fixed cost*. (2)
- 1.5 Trevor Manufacturers Ltd produces peanut butter. The company provides you with the following information to answer the questions. 
- The company decides to take 2 kg of peanuts to make one jar of peanut butter. The standard price is calculated at R3,00 per kg.
- At the end of the financial period, 300 jars of peanut butter are manufactured. 550 kg of peanuts have been purchased at a total price of R1 500.
- 1.5.1 How many kilograms of peanuts were supposed to be used to produce 300 jars of peanut butter? (2)
- 1.5.2 How many more or less kilograms of peanuts were actually used to produce 300 jars?  (4)
- 1.5.3 Did the business show a favourable or unfavourable variance? (2)
- 1.5.4 Give ONE possible reason for the variance identified in QUESTION 1.5.3 above. (2)
- TOTAL SECTION A: 50**

SECTION B**QUESTION 2**

The Big Mamas (Pty) Ltd manufactures waist-trimmer belts. The company is currently working on two jobs, namely jobs XXL and XXXL. 

Job XXL was started three months ago, while job XXXL was only started in October, which is the current month.

The following information was extracted from the company records:

Balances on 1 October 2017

Production control	R100 000
Material control	R50 000
Finished goods control	R110 000
Job XXL	R80 000
Job XXXL	R20 000
Materials	
Spandex	R25 000
Buttons	R25 000


**Cost incurred during the year**

Details	XXL	XXXL
Materials: Spandex	15 000	25 000
Buttons	10 000	5 000
Direct labour	12 000	5 500
Indirect labour	5 000	3 000


Balances on 31 October 2017


Material control R65 000

Additional information:


- Overheads are recovered at a rate of 120% of the direct material costs.
- Selling and administrative costs for XXL amount to R25 000. 
- Job XXL was invoiced at 75% of total cost.
- The amount of material purchased for spandex is equal to the number of buttons.

Required:

- 2.1 Record the following in the general journal:
- 2.1.1 Material purchased (to be calculated as the balancing figure in the material account) 
- 2.1.2 Direct material issued
- 2.1.3 Indirect material issued



- 2.2 Record the following in the general ledger:
- 2.2.1 Materials control  (3)
- 2.2.2 Manufacturing overheads control (1)
- 2.2.3 Production control (2)
- 2.3 Prepare the job cost statement of the completed job. (12)
- [30]**

QUESTION 3

Khomisani Contractors are working on two contracts. Details of the contracts are as follows for the financial year ending 31 June 2017: 

Details	Contract AX	Contract AB
Contract price	R7 200 000	R5 000 000
Materials issued	R3 110 000	R500 000
Wages paid	R3 900 000	R700 000
Overheads	R1 050 000	R600 000
Material returned to suppliers	R12 000	R82 000
Material transferred from contract AX to AB	R52 000	R52 000
Machinery balance: 1 July 2016	R410 000	R570 000
Machinery balance: 31 June 2017	R320 000	R450 000
Certified work	R8 000 000	R3 000 000
Uncertified work		R330 000
Cash received	R7 500 000	R2 900 000
Total expected cost of the contract	R6 000 000	R3 800 000
Extras	R800 000	R700 000
Provision for latent defects	Retention money	Retention money

Required:

- 3.1 Prepare the contract account for contract AX.  (11)
- 3.2 Indicate whether the following statement is TRUE or FALSE. Choose the answer and write only 'True' or 'False' next to the question number (3.2) in the ANSWER BOOK.
- Has contract AX been completed?  (2)
- 3.3 Calculate the depreciation on machinery of contract AB. (2)

3.4 Calculate the percentage of completion of contract AB using the following formula.

NOTE: Round to the nearest whole number.

$$\frac{\text{Certified work}}{\text{Contract price}} \quad \text{✿} \quad (2)$$

3.5 Calculate the total estimated profit of contract AB. (3)

3.6 Calculate the profit of contract AB for the year, using the following formula.

NOTE: Round to the nearest rand. ✿

$$\% \text{ completed} \times \frac{\text{Estimated profit}}{1} \times \frac{\text{Cash received}}{\text{Certified work}} \quad (8)$$

3.7 Calculate the adjusted profit of contract AB for the year. (2)
[30]

QUESTION 4

4.1 Kiddies Manufacturers makes skateboards using cherry wood.

To make one (1) skateboard (standard information) the organisation uses the following:



- 0,5 metres of wood at a standard price of R150,00 per metre
- 5,5 hours of labour @ R65,00 per hour

At the end of the financial year, the organisation supplied you with the following actual results:

- 2 000 metres of wood were purchased at a total price of R400 000.
- 9 000 skateboards were made, using 5 000 metres of wood.
- 51 000 labour hours were used, at a total cost of R3 672 000.
- Its fixed overheads amounted to R350 000. ✿



Budgeted results at normal capacity:

- Fixed overheads: R250 000
- Labour hours : 20 000 hours

Required:

Calculate the following variances. (State whether each variance is favourable or unfavourable.) ✿

4.1.1 Material price (5)

- 4.1.2 Material quantity (5)
- 4.1.3 Labour efficiency (5)
- 4.1.4 Labour rate  (5)
- 4.1.5 Total labour (4)
- 4.2 The following variable overhead rate variance was calculated as follows:
- (SR – AR)AT
 = (R5 – R6)51 000
 = (1)51 000
 = 51 000 UN 
- 4.2.1 Calculate the budgeted variable overheads.
- 4.2.2 Calculate the actual variable overheads. (2 × 3) (6)
- [30]**



QUESTION 5

Bramely (Pty) Ltd has supplied you with the following information to answer the questions.

The following actual and estimated figures are available: 

1.

ITEMS	ACTUAL AMOUNTS			ESTIMATED AMOUNTS	
	JANUARY	FEBRUARY	MARCH	APRIL	MAY
Sales	192 000	240 000	120 000	320 000	400 000
Purchases	200 000	100 000	320 000	168 000	120 000
Wages	1600	1 600	1 600	?	?


2. Cash transactions:
- 40% of ALL sales are made in cash.
 - 35% of ALL purchases are made in cash.
3. Collections for credit sales are as follows: 
- 20% is collected in the month of sale, and a 2% discount is granted on these collections.
 - 60% is collected in the month following the month of sale.
 - 15% is collected in the second month following the month of sale.
 - The remaining 5% is written off as bad debts. 
4. Bramely (Pty) Ltd will make an investment of R100 000 as a fixed deposit on 1 March 2017. Interest of R1 200 per month is expected to be received from 1 April 2017.


5. Creditors are paid two months after the date of sale.
6. Rent expense amounts to R20 000 per month and it is payable on the first day of each month. 
7. Wages will be increased by 10% in April 2017 and will increase by a further 5% in May 2017.
8. A new machine is expected to be purchased for R45 000 in cash in May 2017.
10. On 31 March 2017, Bramely (Pty) Ltd had an unfavourable bank balance of R7 000. 
- 5.1 Prepare a debtors collection schedule for April 2017 and May 2017. (8)
- 5.2 Prepare the cash budget for April 2017 and May 2017. (22)
[30]

QUESTION 6

- 6.1 Blue Jeans manufactures men's denims. The organisation provides you with the following information for the year ending 31 August 2017:

Total sales in units	60 000
Total manufacturing costs (60%, fixed)	R300 000
Total non-manufacturing costs (45%, variable)	R325 000
Direct material	R150 000
Direct labour	R190 000
Selling price per unit	R25 000



- 6.1 Prepare the income statement according to the direct method. (12)
- 6.2 Calculate the following. (Round your figures to the nearest whole number.)
- 6.2.1 Break-even quantity  (3)
- 6.2.2 Break-even value (3)
- 6.2.3 Safety margin in rand (3)
- 6.2.4 Safety margin in units (3)
- 6.2.5 Draw the break-even graph using the information above. (6)



TOTAL SECTION B 150
GRAND TOTAL 200