

higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N280(E)(J4)H
JUNE EXAMINATION

NATIONAL CERTIFICATE

COST AND MANAGEMENT ACCOUNTING N6

(4010196)

4 June 2014 (Y-Paper)
13:00–16:00

Non-programmable calculators may be used.

This question paper consists of 10 pages and an answer book of 12 pages.

DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA
NATIONAL CERTIFICATE
COST AND MANAGEMENT ACCOUNTING N6
TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS TO INVIGILATORS

1. Ensure that all candidates use the ANSWER BOOK provided at the end of this question paper.
2. DO NOT ATTACH ANY OTHER ANSWER BOOK to the one provided at the end of this question paper.
3. Students will be penalised if the ANSWER BOOK provided at the back of this question paper is placed inside another ANSWER BOOK.
4. If the ANSWER BOOK provided at the end of this question paper is not stapled in the correct order, please instruct candidates to open the staple, put the ANSWER BOOK in the correct order and then re-staple ANSWER BOOK.

INSTRUCTIONS TO CANDIDATES

1. Answer ALL the questions neatly in the ANSWER BOOK provided.
 2. Read ALL the questions carefully.
 3. Number the answers correctly according to the numbering system used in this question paper.
 4. Do not use any other ANSWER BOOK to answer this question paper and do NOT attach any other ANSWER BOOK to the one provided at the end of this question paper.
 5. ALL calculations, where applicable, MUST be shown.
 6. Write neatly and legibly.
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QUESTION 1

- 1.1 Choose a description from COLUMN B that matches a/an contract terms in COLUMN A. Write only the letter (A–G) next to the question number (1.1.1–1.1.5.) in the ANSWER BOOK (provided).

COLUMN A CONTRACT TERMS		COLUMN B DESCRIPTION
1.1.1	Retention money	A an advantage of this method is that income is matched to costs in the period that they arise
1.1.2	Contract price	
1.1.3	Certified work	B costs that are related to the contract, except direct materials and direct labour, e.g. insurance of the warehouse where materials are stored
1.1.4	Percentage of completion	
1.1.5	Extras	C during the course of the contract an architect will value the amount of work that is completed according to the contract. If the percentage of completion method is used, then the contractee must pay the contractor the rand value of this approved work completed during that year
		D it may happen that during the course of the contract, the contractor realises that an additional amount has to be charged to the contractee due to some unforeseen factors that were not prevalent at the signing of the contract, e.g. an abnormal increase in the price of building material
		E the price that was agreed to be paid (by the contractee) and received (by the contractor) when the contract was signed
		F all the costs incurred on a contract up to the present date
		G the money that is withheld by the contractee from a progress payment to protect himself against any defective work done by the contractor

(5 × 1)

(5)

- 1.2 Study the incomplete Cost of Sales account of Winterton Manufacturers below and answer the questions.

COST OF SALES			
Finished goods control	120 000	Manufacturing	
Trading account	95 000	overheads control	25 000
	50 000		50 000

- 1.2.1 Have overheads been over- /or under-applied in this business? State clearly if your answer is an over- /or under application. (1)
- 1.2.2 Calculate the applied overheads if actual overheads amounted to R100 000. (3)
- 1.2.3 Assume that 20% of the goods produced were sold.
Calculate the amount of finished goods transferred from production. (3)
- 1.2.4 Assume that the business uses a mark-up of 45% on cost, calculate the selling price of the finished goods. (3)
- 1.3 The following information was extracted from the records of Mel Manufacturers:

Sales	R80 000
Variable cost	25% of sales
Net profit	R40 000
Total cost	90% of net profit
Units produced	1 000

- 1.3.1 Calculate the variable cost. (3)
- 1.3.2 Calculate the marginal income per unit. (3)
- 1.3.3 Calculate the fixed cost. (4)
- 1.4 The following information was extracted from the records of Casino Contractors:

Contract price	R10 000 000
Extras	R1 000 000
Certified work	R11 000 000
Provision for latent defects	25%

- 1.4.1 Is the above contract complete or incomplete? State clearly if your answer is complete or incomplete. (2)
- 1.4.2 Give a reason for your answer in QUESTION 1.4.1 above. (2)

- 1.4.3 What percentage of profits will be transferred to the Income Statement? . (1)
- 1.5 The following standard information was extracted from Honey Booboo Bakery:
- 500g ($\frac{1}{2}$ kg) of flour is needed to make ONE cake. The standard price of flour is R10 per kg.
- At the end of the year, 160 kg of flour was used to produce 300 cakes. The bakery paid R1 500 for the flour.
- 1.5.1 How much flour (in kg) was used by the bakery to produce the 300 cakes? (2)
- 1.5.2 Has the bakery used more or less flour than it planned to use for the 300 cakes? State by how much more or less. (2)
- 1.5.3 Is this variance calculated in QUESTION 1.5.2 above favourable or unfavourable for the bakery? (1)
- 1.5.4 Give ONE possible reason for this variance. (1)
- 1.5.5 How much was paid for the flour purchased to produce the 300 cakes? (2)
- 1.5.6 Did the bakery pay more or less than it planned to pay for the flour that it purchased? State by how much more or less. (2)
- 1.6 Reddy's Factory Supplies wants to buy a new machine for the factory and are considering the following two options:
- | | MACHINE × R6 | MACHINE × R7 |
|-------------------------|--------------|--------------|
| Cost | 250 000 | 250 000 |
| Net present value | (50 000) | 30 000 |
| Expected rate of return | 15% | 15% |
- Calculate the following:
- 1.6.1 Which machine should this business purchase? (1)
- 1.6.2 Give a reason for your answer in QUESTION 1.6.1 above. (2)
- 1.6.3 Advise the owner what he should consider when making a decision to buy a machine based on its net present value. (1)
- 1.6.4 Calculate the total of the cash INFLOWS for Machine × R6. (3)
- 1.6.5 Calculate the total of the cash INFLOWS for Machine × R7. (3)
- [50]

QUESTION 2

Dream Day Manufacturers is currently busy with two jobs, AB101 and AB102.

The following incomplete and incorrectly prepared accounts appeared in the Cost Ledger of the business on 28 February 2014, the end of the financial year. The business uses a job-costing system and was not busy with any other jobs.

COST LEDGER OF DREAM DAY MANUFACTURERS**JOB: AB101**

Balance b/d	75 000	Material control	80 000
Overheads	?	Labour control	90 000

JOB: AB102

Material control	35 000	Labour control	49 000
		Overheads	?

Additional information:

- Overheads are recovered at a rate of 110% of direct material cost.
- Both the jobs were complete at the end of the year.
- The total selling and administration costs were R60 000, which are allocated between Job AB101 and AB102 in the ratio 3 : 2 respectively.
- 5 000 units were produced in Job AB101.
- 2 000 units were produced in Job AB102.

REQUIRED:

- 2.1 Complete the Production Control account in the General Ledger of Dream Day Manufacturers on 28 February 2014.

Where applicable, show all your workings in brackets next to each entry in this account.

- 2.2 Calculate the cost per unit for each job. (16)
- 2.3 Did the business start Job AB102 during this financial year or the previous financial year? (2)
- 2.4 Give a reason for your answer in QUESTION 2.3 above. (2)

[30]

QUESTION 3

3.1 Green Light Contractors uses the percentage of completion method to determine profits. The following incomplete and incorrectly prepared contract account was extracted from their records on 28 February 2014, regarding the contract to build an additional administration block for Smart FET College.

SMART FET COLLEGE CONTRACT			
Materials returned	18 000	Allocated overheads	200 000
Specific overheads	50 000	Materials issued	250 000
Materials transferred to another contract	12 000	Depreciation on equipment	60 000
Uncertified work	150 000	Direct labour	300 000
Profit and loss	?	Certified work	800 000
		Provision for latent defects	?

Additional information:

- Cash received amounted to R750 000.
- The retention money must be treated as a provision for latent defects.

3.1.1 Identify and list EIGHT errors in the above account. DO NOT list any calculation errors. (8)

3.1.2 Prepare the Contract account correctly. Show your calculation for provision for latent defects clearly. (13)

3.2 The following information was extracted from the records of Kai Contractors at the end of the financial year 28 February 2014 regarding Contract K9:

Contract price	R3 000 000
Extras	R300 000
Total expected costs for the contract	R2 500 000
Certified work	R2 000 000
Cash received	R1 500 000
Percentage of completion	52%
Provision for latent defects	15% of profits

3.2.1 Calculate the total estimated profit on the contract. (4)

3.2.2 Calculate the profit for the year using the following formula:

$$\% \text{ completed} \times \frac{\text{estimated profit}}{1} \times \frac{\text{cash received}}{\text{certified work}}$$

(5)
[30]

QUESTION 4

Mabula Chocolates makes chocolate bars and sells them to all major retail stores across South Africa.

250g of cocoa powder was used to make ONE chocolate bar, at a standard price of R56 per kg (STANDARD INFORMATION).

Further, to make ONE chocolate bar, the business uses $\frac{1}{2}$ labour hours. This labour is paid at R20 per hour. 15 000 labour hours were budgeted for.

Budgeted Overheads were as follows:

Fixed Overheads: R68 000
Variable Overheads: R50 000

At the end of the year, it was determined that 7 600 kg of cocoa powder was ACTUALLY used to produce 30 000 chocolate bars. The business bought 8 000 kg of cocoa powder worth R456 000 for the production of chocolate bars.

Additional ACTUAL details were as follows:

16 000 labour hours were used at a total cost of R336 000
Fixed overheads: R72 000
Variable overheads: R60 000

Calculate the following variances showing clearly the formula used. State whether each variance is favourable or unfavourable:

- 4.1 Material price
- 4.2 Material quantity
- 4.3 Labour rate
- 4.4 Labour efficiency
- 4.5 Variable overhead rate

(5 × 6) [30]

QUESTION 5

- 5.1 The following information was extracted from the records of Star Stores at the end of the financial year 30 April 2014:

Sales	700 000
Variable cost	200 000
Total cost	450 000
Units produced	5 000

Calculate the following:

- 5.1.1 Break-even units (6)
- 5.1.2 Break-even value (Rands) (4)
- 5.1.3 Safety margin in Rands. (3)
- 5.1.4 Prove that the business actually does break even with the break-even units calculated in QUESTION 5.1.1 above. (6)
- 5.2 The following information was extracted from the records of Junior Jumpers at the end of the financial year 31 May 2013:

Sales	450 000
Direct labour	100 000
Direct materials	80 000
Variable manufacturing overheads	20 000
Fixed manufacturing overheads	30 000
Variable selling and administration costs	2 000
Fixed selling and administration costs	3 000

Prepare the Income Statement according to the direct method.

(11)
[30]

QUESTION 6

The following incomplete and incorrectly prepared Cash Budget was presented to you by the owner of Butterfly Printers for the first quarter of 2014:

	JAN	FEB	MAR
Opening bank balance	112 000		
Total sales	80 000	90 000	100 000
Rent paid	25 000	25 000	25 000
Total cash available			
Less: Payments			
Purchases (All cash)	15 000	16 000	17 000
General expenses	7 000	7 000	7 000

ADDITIONAL INFORMATION:

- The opening bank balance in January had an unfavourable balance.
- The following are the actual total sales figures for 2013:

October	50 000
November	60 000
December	70 000

- 75% of sales are on credit.

Credit sales are collected as follows:

- 50% of credit sales are collected in the month of the sale.
- 30% of credit sales are collected one month after the sale.
- 15% of credit sales are collected two months after the sale.
- 5% of all credit sales are written off as irrecoverable.
- The rent will increase by 20% per month from 1 February 2014.
- A short-term loan of R50 000 was approved by Best Bank and will be granted to the business on 1 March 2014. Monthly installments (including interest) of R 5 000 will be paid, starting from the date the loan is granted.
- Included in General expenses each month is an amount of R2 000 for depreciation.
- In January 2014, an old printer was sold for R1 500. Loss on the sale of this printer amounts to R500. No entry was made for this transaction.
- All other amounts given in the Cash Budget above are correct.

REQUIRED:

Prepare the Cash Budget for Butterfly Printers correctly for the first quarter of 2014, clearly showing the calculations for RECEIPTS FROM DEBTORS.

[30]**TOTAL: 200**

EXAMINATION NUMBER:

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JUNE 2014
COST AND MANAGEMENT ACCOUNTING N6
ANSWER BOOK

PERCENTAGE MARK %

FOR EXAMINER'S & MODERATOR'S USE ONLY		
QUESTION	EXAMINER'S MARK	MODERATOR'S MARK
Q1		
Q2		
Q3		
Q4		
Q5		
Q6		
TOTAL		

******DO NOT PLACE THIS ANSWER BOOK INTO ANY OTHER ANSWER BOOK.******

EXAMINATION NUMBER:

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QUESTION 1

- 1.1 1.1.1
- 1.1 1.1.2
- 1.1 1.1.3
- 1.1 1.1.4
- 1.1 1.1.5

1.2 1.2.1

1.2.2

1.2.3

1.2.4

1.3 1.3.1

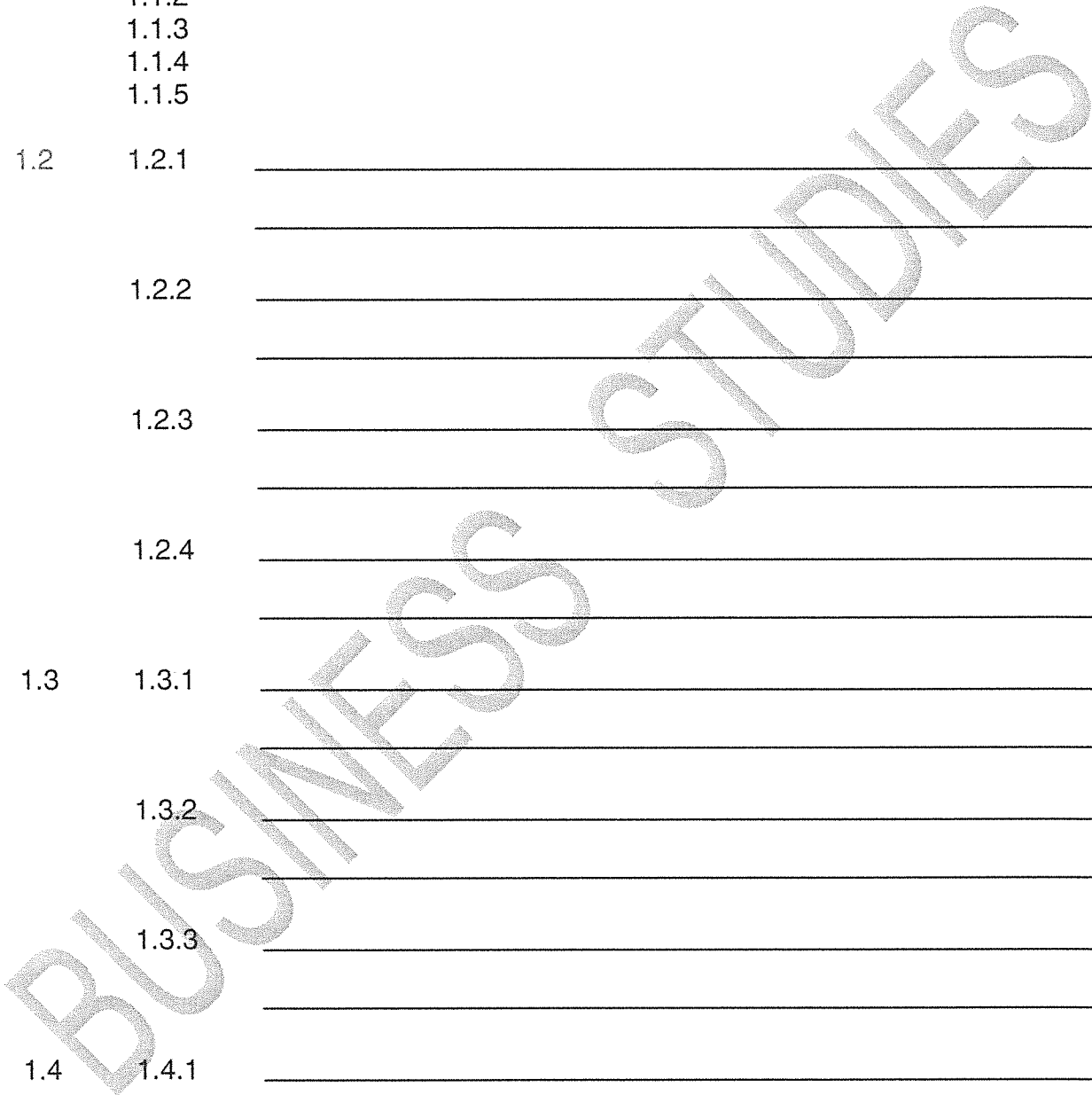
1.3.2

1.3.3

1.4 1.4.1

1.4.2

1.4.3



EXAMINATION NUMBER:

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1.5

1.5.1

1.5.2

1.5.3

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1.5.6

1.6

1.6.1

1.6.2

1.6.3

1.6.4

EXAMINATION NUMBER:

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3.2

3.2.1

3.2

3.2.1

[30]

QUESTION 4

4.1

4.2

[30]

TOTAL: 200

BUSINESS STUDIES