



# higher education & training

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Department:  
Higher Education and Training  
**REPUBLIC OF SOUTH AFRICA**

**N280(E)(J12)H**

**NATIONAL CERTIFICATE**

**COST AND MANAGEMENT ACCOUNTING N6**

**(4010196)**

**12 June 2018 (X-Paper)**

**09:00–12:00**

**This question paper consists of 10 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. Show ALL calculations in order for marks to be allocated.
3. Use only black or blue ink. Lead pencil answers will not be marked.
4. Round off amounts to the nearest rand.
5. Write neatly and legibly.

QUESTION NUMBER	TOPIC	MARKS	RECOMMENDED TIME GUIDE
1	Short questions (multiple choice, match the column and choose the missing word(s))	50	30
2	Job costing	30	30
3	Contract costing	30	30
4	Standard costing	30	30
5	Cost control	30	30
6	Budgets	30	30
	<b>TOTAL</b>	<b>200</b>	<b>180 minutes</b>

**QUESTION 1**

- 1.1 Wisdom Traders makes lipsticks. The following information was extracted from their records:

Lipsticks produced	800 units
Number of lipsticks sold	450 units
Fixed cost	R1 900,00
Variable cost per unit	R3,25
Total sales	R15 000,00

Calculate the following:

- 1.1.1 Total variable cost
- 1.1.2 Total cost
- 1.1.3 Selling price per unit
- 1.1.4 Total cost if 1 000 lipsticks are produced (4 × 2) (8)
- 1.2 The following information was extracted from the books of Clara Contractors:

Uncertified work	250 000
Certified work	4 500 000
Contract price	5 400 000
Extras	600 000
Retention money	500 000

- 1.2.1 How much will be the amount of certified work at completion of the contract? (3)
- 1.2.2 How much is the cash received? (3)
- 1.2.3 Briefly explain the difference between certified and uncertified work. (6)
- 1.2.4 Define the term *retention money*. (3)

- 1.3 Choose an item/word from COLUMN B to match a description in COLUMN A. Write only the letter (A–E) next to the question number (1.3.1–1.3.5) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.3.1	Issuing of direct material to production	A	DR applied overheads CR manufacturing
1.3.2	Cash purchases of indirect materials	B	DR finished goods CR production
1.3.3	Under-recovery of manufacturing overheads	C	DR manufacturing overheads CR material control
1.3.4	Actual manufacturing overheads transferred to manufacturing overheads control	D	DR production control CR material control
1.3.5	Indirect material issued to production	E	DR material CR bank

(5 × 2) (10)

- 1.4 Budeli burgers provided you with the following information:

The budgeted fixed overheads for the year is R7 000, based on 700 hours.

	BUDGETED	ACTUAL
Fixed overheads		R7 250
Hours worked	600	650

Standard hours allowed: 580

Calculate the following and state the nature of the variance:

- 1.4.1 Fixed overheads expense variance (3)
- 1.4.2 Fixed overheads volume variance (4)
- 1.5 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'true' or 'false' next to the question number (1.5.1–1.5.5) in the ANSWER BOOK.
- 1.5.1 In a sales budget, the total estimated rand value of sales is calculated by multiplying the selling price per unit by the number of materials to be purchased.
- 1.5.2 A loss on the sale of fixed assets will affect the cash budget.

- 1.5.3 Capital budgeting involves a commitment of funds in the future in order to receive return in the present.
- 1.5.4 Through budgeting, the relation between planned profit and planned employment of capital can be determined.
- 1.5.5 Budgets help management to achieve their goals.

(5 × 2)

(10)  
[50]**QUESTION 2**

The following information is an extract from the books of Budeli Ltd. They manufacture lady's handbags using two types of materials, namely leather and zip.

During their financial year, which ends on 28 February, they were busy with Job no.130 and Job no.131.

Job no 131 was started in February 2016, while Job 130 was completed and invoiced at 20% on cost.

Balances:

<b>Balances 1 February 2016</b>	<b>R</b>
Raw material control account:	
Leather	26 000
Zip	20 000
Finished goods	256 000
Cost ledger: Job 130	30 000
<b>Expenses incurred during the year:</b>	
Material purchases:	
Leather	100 000
Zip	80 000
Issues: Job 130:	
Leather	36 000
Zip	30 000
Issues: Job 131:	
Leather	34 000
Zip	30 000
Labour hours worked for Job 131 are 3 000hrs at R20 per hour	
Labour hours worked for Job 130 are 2 000hrs at R22 per hour	
Actual overheads	110 500
Selling and administrative cost for Job 130	64 000

Additional information:

Budeli Ltd applies their overheads at 100% of direct labour cost.

Required:

- 2.1 Record the above transactions in the following General Ledger account of Budeli Ltd:
- |       |                                 |      |
|-------|---------------------------------|------|
| 2.1.1 | Production control account      | (10) |
| 2.1.2 | Raw material control account    | (4)  |
| 2.1.3 | Manufacturing overheads account | (4)  |
| 2.1.4 | Applied overheads account       | (2)  |
| 2.1.5 | Finished goods account          | (2)  |
- 2.2 Prepare the job costing statement for the completed job to indicate its selling price. (8)
- [30]**

### QUESTION 3

The following information was extracted from the books of Bathupele Contractors for the year ended 31 December 2016.

	R
Contract price	10 000 000
Certified work	1 500 000
Uncertified work	950 000
Material transferred to another contract	45 000
Wages	600 000
Material issued	550 000
Machinery 31/12/15	265 000
Material on hand 31/12/16	15 500
Machinery 31/12/16	260 000
Extras	105 000
Total expected cost	8 900 000
Cash received	1 600 000
Material returned to suppliers	12 500
Subcontractors	60 000
Provision for latent defects	25% of profit

- 3.1 Prepare the contract account for Bathupele contractors. (15)
- 3.2 Calculate the total estimated profit. (2)
- 3.3 Calculate the profit for the year for Buphelo contract using the following formula. Show all your calculations. (% of completion is calculated at certified work basis)
- $$\% \text{ completion} \times \frac{\text{estimated profit}}{1} \times \frac{\text{cash received}}{\text{certified work}}$$
- (10)
- 3.4 Calculate the total material used. (6 × ½) (3)  
[30]

#### QUESTION 4

Kennedy Junior Ltd makes school uniforms for all local schools in their area.

They have provided you with the following information:

Standard information:

To make one tunic, the following is used:

- 5 metres of material at a standard cost of R45,00 per metre
- 3 hours and 30 minutes of labour at R35 per hour

Actual information:

At the end of May 2016, 15 000 metres of material was purchased at a total price of R600 000.

1 500 tunics were made using 8 000 metres of material

4 250 labour hours were clocked at a total cost of R165 750

Fixed overheads: R?

Variable overheads: R28 200

Budgeted information was as follows:

Fixed overheads: R15 000

Variable overheads: R30 000

Labour hours: 4 500

Required:

Calculate the following variances (indicate whether each variance is favourable or unfavourable):

- 4.1 Price of material (5)
- 4.2 Quantity of material (5)
- 4.3 Labour rate (5)
- 4.4 Labour efficiency (5)
- 4.5 If the fixed overheads expense variance is an unfavourable variance of R2 500, how much is the actual fixed overheads? (5)
- 4.6 Give TWO reasons why the variance in labour efficiency could be unfavourable. (4)
- 4.7 State whether the following statement is TRUE or FALSE. Write only 'true' or 'false' next to the question number (4.7) in the ANSWER BOOK. (1)
- Unfavourable variance is when the actual cost is less than the standard cost. [30]

## QUESTION 5

- 5.1 The following information appears in the books of Banjeli Manufacturers:

Sales for the year	14 500 units @ R30,00 per unit
<b>Fixed cost:</b>	
Factory fixed overheads	R60 000,00
Fixed selling and administrative cost	R45 000,00
Variable cost per unit	R20,00

Required:

Calculate the following:

- 5.1.1 Break-even quantity (3)
- 5.1.2 Break-even value (3)
- 5.1.3 Safety margin in ratio (3)
- 5.1.4 Profit (3)
- 5.1.5 Use the information calculated above in QUESTION 5.1.1 to 5.1.4 to draw the break-even graph and label it. (7)



- 5.2 Sollys Ltd, manufactures tables and chairs. The information provide was an extract from their accounting records during the year ended 30June 2016.

Draft the income statement for Sollys Ltd for the year ended 30 June 2016, using the Direct Method.

(11)

Direct material	R80 000
Direct labour	R65 000
Fixed manufacturing overheads	R45 000
Variable manufacturing overheads	R20 000
Selling cost (35%fixed)	R60 000
Administrative cost (80% variable)	R40 000
No of units sold	800 units @ R1 500,00 per set

**[30]****QUESTION 6**

Luthando Poultry Farm has provided you with the following information:

	MARCH	APRIL	MAY	JUNE
Total sales	250 000	280 000	?	?
Purchases	105 000	120 000	125 500	138 000
Sundry expenses	13 500	13 500	13 500	13 500
Wages	9 000	9 000	9 000	9 000

Additional information:

- A. 60% of all sales are on credit.
- B. Sales figures are expected to increase by 10% per month as from 1 May 2016.
- C. 50% of all purchases are cash, and all creditors are paid 30 days after the purchases.
- D.
  - 50% one month after the sale
  - 35% two months after the sale
  - 10% three months after the sale
  - 5% is written off as bad debts
- E. Sundry expense includes depreciation of R1 500 per month.
- F. The bank had an unfavourable balance of R35 000 on 30 April 2016.

Required:

- |     |   |             |
|-----|---|-------------|
| 6.1 | Do the debtors collection schedule for May and June.    | (5)         |
| 6.2 | Prepare the cash budget for the months of May and June. | (17)        |
| 6.3 | Calculate the bad debts from March to June.             | (8)         |
|     |   | <b>[30]</b> |
|     | <b>TOTAL:</b>   | <b>200</b>  |

