



**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

COST AND MANAGEMENT ACCOUNTING N6

6 JUNE 2019

This marking guideline consists of 8 pages.

SECTION A**QUESTION 1**

- | | | | | |
|-----|--------|--|---|------|
| 1.1 | 1.1.1 | J | | |
| | 1.1.2 | A | | |
| | 1.1.3 | B | | |
| | 1.1.4 | F | | |
| | 1.1.5 | C | | |
| | 1.1.6 | I | | |
| | 1.1.7 | G | | |
| | 1.1.8 | E | | |
| | 1.1.9 | H | | |
| | 1.1.10 | D | | |
| | | | (10 × 1) | (10) |
| 1.2 | 1.2.1 | True | | |
| | 1.2.2 | False | | |
| | 1.2.3 | True | | |
| | 1.2.4 | True | | |
| | 1.2.5 | False | | |
| | | | (5 × 1) | (5) |
| 1.3 | 1.3.1 | Total cost per unit | = [fixed cost + variable cost]/No. of units
= [65 000 + (35 × 12 000)]/12 000
= [65 000 + 420 000]/12 000
= 485 000/12 000
= R40,41✓✓ | (2) |
| | 1.3.2 | Total cost per unit | = [fixed cost + variable cost]/No. of units
= [65 000 + (35 × 15 000)]/15 000
= [65 000 + 525 000]/15 000
= 590 000/15 000
= R39,33✓✓ | (2) |
| | 1.3.3 | | [(10 000 × 35) + (12 000 × 35) + (14 000 × 35)]
= 350 000✓ + 420 000✓ + 490 000✓
= 1 260 000✓✓✓ | (6) |
| 1.4 | | <ul style="list-style-type: none"> • The price of the product can easily be determined. • It presents important information about unit variable overheads and marginal income for decision making. • Variance from the standard is clearly identifiable. • It presents valuable information for budgeting. • As the amount will be applied as a whole, there won't be over or under application of overheads. | (Any relevant 5 × 2) | (10) |

1.5	1.5.1	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Month</th> <th style="text-align: right;">Credit sales</th> </tr> </thead> <tbody> <tr> <td>February</td> <td style="text-align: right;">337 500✓</td> </tr> <tr> <td>March</td> <td style="text-align: right;">360 000✓</td> </tr> <tr> <td>April</td> <td style="text-align: right;">315 000✓</td> </tr> <tr> <td>May</td> <td style="text-align: right;">292 500✓</td> </tr> <tr> <td>June</td> <td style="text-align: right;">382 500✓</td> </tr> </tbody> </table>	Month	Credit sales	February	337 500✓	March	360 000✓	April	315 000✓	May	292 500✓	June	382 500✓	(5)
Month	Credit sales														
February	337 500✓														
March	360 000✓														
April	315 000✓														
May	292 500✓														
June	382 500✓														
	1.5.2	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Month</th> <th style="text-align: right;">Bad debts</th> </tr> </thead> <tbody> <tr> <td>February</td> <td style="text-align: right;">16 875✓</td> </tr> <tr> <td>March</td> <td style="text-align: right;">18 000✓</td> </tr> <tr> <td>April</td> <td style="text-align: right;">15 750✓</td> </tr> <tr> <td>May</td> <td style="text-align: right;">14 625✓</td> </tr> <tr> <td>June</td> <td style="text-align: right;">19 125✓</td> </tr> </tbody> </table>	Month	Bad debts	February	16 875✓	March	18 000✓	April	15 750✓	May	14 625✓	June	19 125✓	(5)
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February	16 875✓														
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June	19 125✓														
1.6	1.6.1	Direct labour hours = Applied overheads/R6,50 of recovered overheads = 380 000✓/5.00✓ = 76 000 hours✓	(3)												
	1.6.2	Actual overheads = Applied overheads – over recovered cost of sales = 380 000 – 45 000 = 335 000✓✓	(2)												
			[50]												

TOTAL SECTION A 50

SECTION B

QUESTION 2

2.1	$(SP - AP) AQ$ $= (25 - 35000/1500)1500$ $= (25✓ - 23,33✓) 1 500✓$ $= (1,67) 1 500$ $= 2 500✓F✓$ *AP = 35 000/1500 $= 23,33$	(5)
2.1	$(SQ - AQ) SP$ $= [(250 \times 2.5) - 1 000] 25$ $= (625✓ - 1 000✓) 25✓$ $= (375)25$ $= 9 375✓ UN✓$	(5)
2.3	$(SR - AR)AT$ $= [60 - (74 400/1 200)] 1 200$ $= (60✓ - 62✓) 1 200✓$ $= (2)1 200$ $= 2 400✓ UN✓$	(5)

- 2.4 (ST – AT) SR
 = [(5 × 250) – 1 200] 60
 = (1 250✓ – 1 200✓) 60✓
 = (50)60
 = 3 000✓ F✓ (5)
- 2.5 BFO -AFO
 = 65 300✓ – 55 500✓
 = -9 800✓✓ F✓ (5)
- 2.6 (SR – AR)AT
 = [(19 000/800) – (20 000/1 200)] 1 200
 = (23,75 – 16.66✓) 1 200✓
 = (7.09)1 200
 = 8 508✓ F✓ (5)
- [30]**

QUESTION 3

- 3.1 3.1.1
- | | T-shirts | Jeans |
|----------------|-----------------|--------------|
| Expected sales | 15 000 | 10 000 |
| X spu | R45 ✓ | R75 ✓ |
| Total sales | 675 000 ✓ | 750 000 ✓ |
- (4)
- 3.1.2
- | | T-shirts | Jeans |
|---------------------------|-----------------|--------------|
| Sales requirement | 15 000 | 10 000 |
| Add desired closing stock | 1 000 ✓ | 1 200 ✓ |
| Total stock required | 16 000 ✓ | 11 200 ✓ |
| Less opening stock | (1 500) ✓ | (800) ✓ |
| Units to be produced | 14 500 ✓ | 10 400 ✓ |
- (8)
- 3.1.3
- | | T-shirts | Jeans |
|-------------------------|-----------------|--------------|
| Production requirements | 14 500 ✓ | 10 400 ✓ |
| X labour hours per unit | 5 | 6 |
| Total labour hours | 72 500 ✓ | 62 400 ✓ |
| X labour rate per hour | R25 | R35 |
| Total labour cost | 1 812 500 ✓ | 2 184 000 ✓ |
- (6)
- 3.1.4
- | | |
|---|----------|
| Variable overheads (units to be produced × R2,50) | 24 900 ✓ |
| Fixed overheads | 30 000 ✓ |
| Total manufacturing overheads | 54 900 ✓ |
- (3)

3.1.5

Opening balance	35 000	✓
Cash sales (675 000 + 750 000)	1 425 000	✓✓
Total receipts	1 460 000	✓
Payments		
Wages/Labour cost (1 812 500 + 2 184 000)	3 996 500	✓✓
Manufacturing overheads (24 900 + 30 000)	54 900	✓
Total payments	4 051 400	✓
Closing balance (unfavourable)	2 591 400	✓

(9)
[30]

QUESTION 4

4.1 4.1.1

CONTRACT ACCOUNT

Direct material	200 000 ✓	Certified work	800 000 ✓
Direct labour	400 000 ✓	Uncertified work	300 000 ✓
Manufacturing overheads	700 000 ✓	Profit and loss	600 000 ✓
Subcontractors' fees	200 000 ✓		
Provision for latent defects	200 000 ✓		
	1 700 000		1 700 000

(8)

4.1.2

$$\frac{\text{Cost incurred to date}}{\text{Total estimated costs}} \times \frac{100}{1}$$

$$= \frac{200\,000\checkmark + 400\,000\checkmark + 700\,000\checkmark + 200\,000\checkmark}{6\,000\,000} \times \frac{100}{1}$$

$$= 25\%\checkmark\checkmark$$

(6)

4.1.3

Total estimated profit

$$= (\text{contract price} + \text{extras}) - \text{total estimated cost}$$

$$= (10\,000\,000 + 800\,000)\checkmark - 6\,000\,000$$

$$= 4\,800\,000\checkmark$$

(3)

4.1.4

$$\% \text{ Completed} \times \frac{\text{Total estimated profit}}{1} \times \frac{\text{Cash received}}{\text{Certified work}}$$

$$= 25\% \times \frac{4\,800\,000}{1} \checkmark \times \frac{600\,000\checkmark}{800\,000\checkmark}$$

$$= 900\,000\checkmark\checkmark\checkmark\checkmark$$

(8)

4.1.5 Adjusted profit = calculated profit – provision for latent defect
 = 900 000 – 200 000
 = 700 000✓✓ (2)

4.1.6 No✓
 The % of completion is less than 100%✓✓
 There is uncertified work.
 Total certified work is not yet equal to the contract price plus extras. (3)
[30]

QUESTION 5

5.1 5.1.1

PRODUCTION CONTROL ACCOUNT

Date	Details	Amount	Date	Details	Amount
1/06	Balance	140 000,00 ✓		Finished goods	216 876,00 ✓
	Raw material	62 912,00 ✓			
	Direct labour	130 000,00 ✓			
	Applied overheads	50 329,60 ✓		Balance c/d	166 365,60 ✓
		383 241,60 ✓			383 241,60

(7)

5.1.2

RAW MATERIAL CONTROL ACCOUNT

Date	Details	Amount	Date	Details	Amount
0/06	Balance	110 000✓		Production control	62 912 ✓
				Balance c/d	47 088 ✓
		110 000			110 000

(3)

5.1.3

MANUFACTURING OVERHEADS ACCOUNT

Date	Details	Amount	Date	Details	Amount
	Actual overheads	142 000✓		Applied overheads	50 329,60✓
				Cost of sales (under-recovered)	91 670,40✓

(3)

5.1.4

APPLIED OVERHEADS ACCOUNT

Date	Details	Amount	Date	Details	Amount
	Manufacturing overheads	50 329,60✓		Production control	50 329,60✓

(2)

5.2

Cost ledger: Job TG002

Date	Details	Amount	Date	Details	Amount
	Balance	76 000 ✓		Balance	166 365,60
	Direct material	27 092 ✓			
	Direct labour	41 600 ✓			
	Applied overheads	21 673,60 ✓			
		166 365,60			

(4)

5.3

Job statement for TG001

Balance	64 000 ✓
Materials (13 320 + 22 500)	35 820 ✓✓
Direct labour (6 800 × 13)	88 400 ✓✓
Overheads (35 820 × 80%)	28 656 ✓✓
Total production cost	216 876 ✓
Selling and administrative	(-)
Total cost	216 876
Profit 25%	54 219 ✓✓
Selling price	271 095 ✓

(11)
[30]**QUESTION 6**

6.1

INCOME STATEMENT – ABSORPTION METHOD

Sales (100 000 × 110)	11 000 000 ✓
Less: Manufacturing costs	(527 500) ✓
• Direct material	100 000 ✓
• Direct labour	85 000 ✓
Manufacturing overheads	
• Fixed	42 500 ✓
• Variable (3 × 100 000)	300 000 ✓
Gross profit	10 472 500 ✓
Less: selling and admin costs	(75 000) ✓
• Fixed	22 500 ✓
• Variable	52 500 ✓
Net profit	10 397 500 ✓✓

(12)

6.2

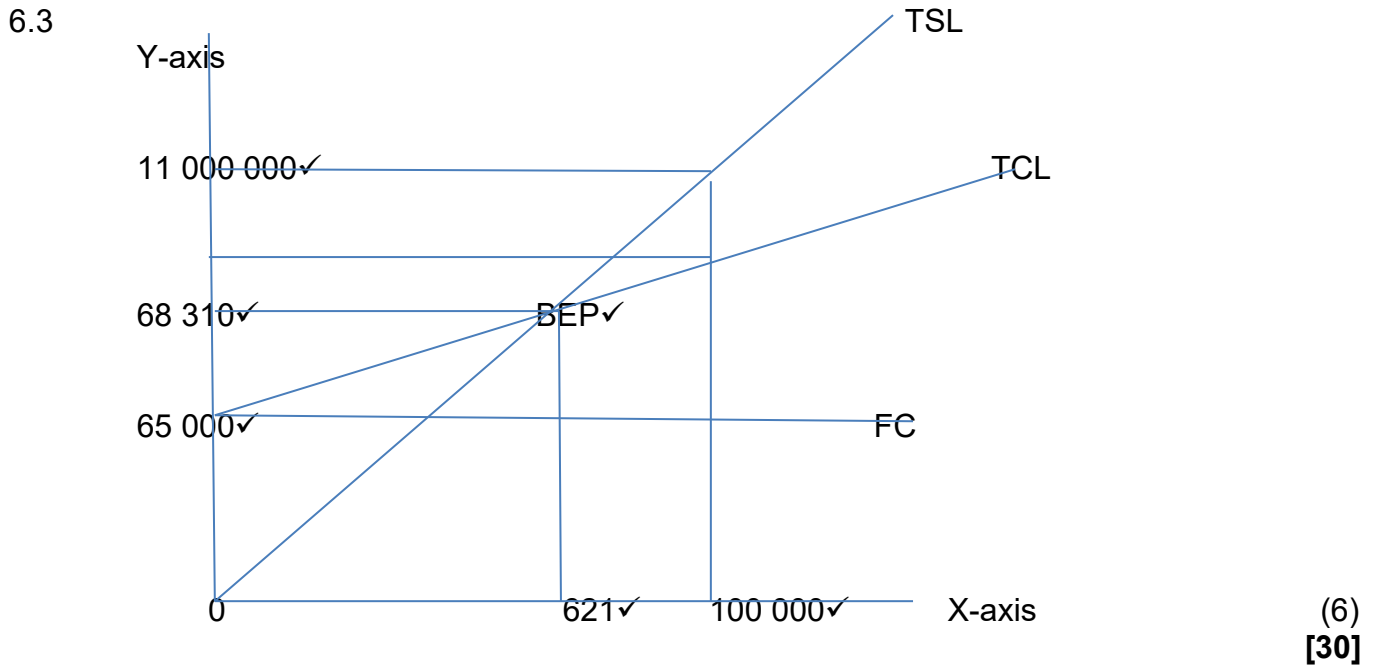
6.2.1 MI/U = Selling price per unit – variable cost per unit
= [110 – (52 500/100 000 + 100 000/100 000 + 85 000/100 000 + 3)]
= [110 – 5.37] ✓✓✓
= 104,63 ✓✓

(5)

6.2.2
$$\begin{aligned} \text{BEQ} &= \frac{\text{TFC}}{\text{MI/U}} \\ &= \frac{65\,000}{104,63} \\ &= 621 \end{aligned} \quad (3)$$

6.2.3
$$\begin{aligned} \text{BEV} &= \text{BEQ} \times \text{SP/U} \\ &= 621 \times 110 \\ &= 68\,310 \end{aligned} \quad (2)$$

6.2.4
$$\begin{aligned} \text{Safety Margin in \%} &= \frac{\text{Total sales} - \text{break even value}}{\text{Sales}} \times \frac{100}{1} \\ &= \frac{11\,000\,000 - 68\,310}{11\,000\,000} \times \frac{100}{1} \\ &= 99,37\% \end{aligned} \quad (2)$$



TOTAL SECTION B: 150
GRAND TOTAL: 200