higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N280**(E)**(J4)H

NATIONAL CERTIFICATE

COST AND MANAGEMENT ACCOUNTING N6

(4010196)

4 June 2019 (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. Read ALL the questions carefully.
3. Number the answers according to the numbering system used in this question paper.
4. Write neatly and legibly.

SECTION A

QUESTION 1

1.1 Choose a term from COLUMN B that matches a description in COLUMN A. Write only the letter (A–J) next to the question number (1.1.1–1.1.10) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.1.1	Cost incurred on a contract up to the present date	A	certified work
1.1.2	Completed amount of work approved and valued by the architect	B	contractor
1.1.3	The party that is responsible for executing the contract	C	contractee
1.1.4	Money withheld from progress payment	D	uncertified work
1.1.5	The party who wants the contract to be completed	E	progress payment
1.1.6	Part of profit divided amongst shareholders	F	retention
1.1.7	More work which is not stipulated on the initial contract	G	extra work
1.1.8	Partial payment by the contracting party at different stages	H	duration
1.1.9	The time the contract is started to completion	I	dividends
1.1.10	Work completed but not yet ready for payment	J	cost to date

(10 × 1) (10)

1.2 Indicate whether the following statements are TRUE or FALSE. Choose the answer and write only 'True' or 'False' next to the question number (1.2.1–1.2.5) in the ANSWER BOOK.

1.2.1 A time card shows the specific use of workers' time at work.

1.2.2 Direct materials are part of the manufacturing process but cannot be seen or traced on the finished goods.

1.2.3 Unit cost plays a significant role in the calculation of the selling price of an item.

1.2.4 Material purchased will be debited in the material account.

1.2.5 Labour cost is exempted when calculating total cost per unit.

(5 × 1) (5)

1.3 The following information was extracted from the books of Desire Supermarket.

MONTH	FIXED COST	UNITS PRODUCED
September	R55 000,00	10 000
October	R65 000,00	12 000
November	R75 000,00	14 000

NOTE: The company's variable cost for the trimester is R35,00 per unit.

1.3.1 Calculate the total cost per unit during the month of October. (2)

1.3.2 What is the total cost per unit if 15 000 units were to be produced during the month of October. (2)

1.3.3 Calculate the total variable cost for the entire trimester. (6)

1.4 Name FIVE advantages of using the direct costing method when preparing an income statement. (10)

1.5 Bemuda Wholesalers has provided you with the following information:

TOTAL SALES

February	R750 000
March	R800 000
April	R700 000
May	R650 000
June	R850 000

NOTE: Credit sales are calculated at 45% of the total sales.

Debts from customers will be collected as follows:

40% during the 1st month of sales
35% during the 2nd month of sales
20% during the 3rd month of sales
5% is irrecoverable

1.5.1 Calculate the credit sales from February to June (5)

1.5.2 Calculate bad debts from February to June (5)

1.6 **PRODUCTION CONTROL ACCOUNT**

Balance b/d	75 000		Finished goods	720 000
Material control	240 000		Balance c/d	115 000
Labour control	140 000			
Applied overheads	380 000			
	835 000			835 000

Additional information:

- Overheads are recovered at a rate of R5,00 per direct labour hour.
- Applied overheads amounted to R45 000.

1.6.1 Calculate the actual number of direct labour hours used. (3)

1.6.2 Calculate the actual overheads incurred by the business. (2)
[50]

TOTAL SECTION A: 50

SECTION B

QUESTION 2

Soweto Manufacturers makes leather shoes for teenage girls. The information below is an extract from their records.

Standard information:

The company uses 2,5 kg leather material per unit (per shoe) at a standard rate of R25,00 per kg.

Five labour hours are required to produce one unit.
The standard rate for labour is R60,00 per hour.

The business' actual records reflected the following:

1 500 kg material were purchased at a total price of R35 000.
The company produced 250 units using 1 000 kg of material.

1 200 labour hours were clocked at a total cost of R74 400.

Fixed overheads: R55 500

Variable overheads: R20 000

Budgeted information was as follows:

Fixed overheads: R65 300
Variable overheads: R19 000
Labour hours 800

Required:

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

2.1 Price of material

2.2 Quantity of material

2.3 Labour rate

2.4 Labour efficiency

2.5 Fixed manufacturing overhead expense

2.6 Variable overhead rate variance

(6 × 5) **[30]**

QUESTION 3

3.1 Bethany Ltd. produces children's t-shirts and jeans. The following information was extracted from their records for the year ended 31 June 2017.

	T-SHIRTS	JEANS
Sales (units)	15 000	10 000
Selling price per unit	R45	R75
Opening stock	1 500	800
Closing stock	1000	1200
Labour hour per unit	5	6
Labour cost per unit	R25	R35

Additional information:

- Favourable opening bank balance is R35 000.
- Fixed costs are R30 000 per month.
- Variable costs are R2,50 per unit produced.
- All forecasted sales realised as cash sales.
- The payments for the month were for the budgeted labour and overheads.

Draw up the following budgets:

3.1.1 Sales budget (4)

3.1.2 Production budget (8)

3.1.3 Labour budget (6)

3.1.4 Manufacturing overheads budget (3)

3.1.5 Cash budget (9)
[30]

QUESTION 4

4.1 Durban East Contractors are busy with contract DDD01. The contract price is R10 000 000. Below is an extract from their records, drafted by an inexperienced bookkeeper. Their financial year ends June 2017.

CONTRACT: DDD01

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

Additional information:

The contract started on 1 June 2016.
Extras incurred on the contract amounted to R800 000.
The total cost for this contract is estimated at R6 000 000.
The cash received on the contract amounted to R600 000.

4.1.1 Correct and complete the contract account above in your ANSWER BOOK. Retention money must be treated as provision for latent defects. (8)

4.1.2 Calculate the percentage of completion of the contract using the following formula:

$$\frac{\text{Cost incurred to date}}{\text{Total estimated costs}} \times \frac{100}{1}$$ (6)

4.1.3 Calculate the total estimated profit. (3)

4.1.4 Calculate the profit for the year, using the following formula:

$$\%\text{ Completed} \times \frac{\text{Total estimated profit}}{1} \times \frac{\text{Cash received}}{\text{Certified work}}$$ (8)

4.1.5 Calculate the adjusted profit for the year, taking the provision for latent defects into consideration. (2)

4.1.6 Is the above-mentioned contract complete?
Answer 'Yes' or 'No' and explain your answer. (3)

[30]

QUESTION 5

Timothy & Girls Ltd. uses a job costing system to control manufacturing costs. This company manufactures girls' tunics, for which it uses linen material and buttons.

During the year the company is busy with two jobs: TG001 and TG002.

Job TG002 was started in June 2017, while Job TG001 was completed and invoiced at cost plus 25%.

BALANCES: 1 JUNE 2017

Manufacturing account	R140 000
Raw materials control account	R110 000
Applied overheads account	R130 000
Cost ledger: Job TG001	R64 000
Job TG002	R76 000
Material Ledger: Linen material	R51 000
Buttons	R19 000

Costs incurred during the month:

Labour	R130 000
Overheads	R142 000

Material issued:

	TG001	TG002
Linen material	13 320	10 000
Buttons	22 500	17 092

According to the time cards, 10 000 labour hours were clocked and worked during the month of June. Labour cost is R13 per hour.

Summary of the labour hours per job are as follows:

GT001	6 800
GT002	3 200

Overheads are applied at 80% of material cost.

5.1 Record the transactions above in the following accounts:

5.1.1 Production control (7)

5.1.2 Raw material control (3)

5.1.3 Manufacturing overheads control (3)

5.1.4 Applied overheads (2)

5.2 Prepare the account for Job TG002 in the cost ledger. (4)

5.3 Prepare the job cost statement for the completed job. (11)

[30]

QUESTION 6

Badogwa Enterprise supplied you with the following information:

An extract from their records

Total sales in units	R100 000
Variable manufacturing overheads cost per unit	R3,00
Total fixed manufacturing overheads cost	R42 500
Fixed non-manufacturing overheads	R22 500
Variable non-manufacturing overheads	R52 500
Direct materials	R100 000
Direct labour	R85 000
Selling price per unit	R110,00

Answer the following questions:

6.1 Prepare the income statement of Badogwa Enterprise according to the absorption method. (12)

6.2 Calculate the following (round the figures to the nearest rand):

6.2.1 Marginal income per unit (5)

6.2.2 Break-even quantity (3)

6.2.3 Break-even value (2)

6.2.4 Margin of safety ratio (2)

6.3 From the information given, prove that the business really does break even with this quantity of sales. (6)

[30]

TOTAL SECTION B: 150
GRAND TOTAL: 200