



# higher education & training

---

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

## **NATIONAL CERTIFICATE**

### **COST AND MANAGEMENT ACCOUNTING N6**

(4010196)

**2 June 2021 (X-paper)**

**09:00–12:00**

**A nonprogrammable calculator may be used.**

**This question paper consists of 11 pages and an answer book of 10 pages.**

171Q1J2102

**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 in the ANSWER BOOK provided.
  2. Read all the questions carefully.
  3. Write your examination number and centre number on every page of the ANSWER BOOK (attached).
  4. Use only a black or blue pen.
  5. Write neatly and legibly.
-

**SECTION A****QUESTION 1**

- 1.1 The following information was extracted from the books of Kingdom manufacturers:

**PRODUCTION CONTROL**


Balance	110 000	Applied overheads	?
Material control	45 000	Balance	?
Labour control	75 000		
Finished goods	135 000		

- 1.1.1 State any mistake in the above ledger account. Do NOT rewrite the ledger account. (2 × 2) (4)
- 1.1.2 Calculate applied overheads if it is applied at 80% of direct labour. (2)
- 1.1.3 How much is the balance carried down?  (2)
- 1.1.4 What does the *figure of finished goods* mean? (2)
- 1.2 Tribal General Dealer has provided you with the following information regarding their credit terms available for their customers:

Sales figures are estimated as follows:

	<b>AMOUNT</b>
July	195 000
August	170 000
September	200 000
October	?
November	?
December	?

**ADDITIONAL INFORMATION**

- 75% of all sales are on credit. It is expected that sales will increase by 15% per month.
- The company allows 5% discount on cash sales.
- Debtors normally pay their account as follows:
  - 50% in the month of sale 
  - 35% after 30 days
  - 10% after 60 days
 The remaining is irrecoverable.

**REQUIRED:**

1.2.1 Calculate estimated sales from October to December. (3)

1.2.2 How much will be collected in October from the credit sales of August? (2)



1.2.3 Calculate the bad debts amount from July to December. (6)

1.3 The following information was extracted from the records of Debra Producers:


Total material variance:

= Material issue price variance + Material quantity variance

= 6 600 (UNF) + 1 500 (UNF)

= 8 100 (UNF)

**ADDITIONAL INFORMATION**

- According to standard information it takes 10,5 kg at R15,00 per kg per unit.
- 2 200 kg of material were purchased and used at R18 per kg. 
- 200 units were produced during the period.

1.3.1 Recalculate the total material variance using an alternate formula and state whether the variance is 'Favourable' or 'Unfavourable'. (6)

1.3.2 How many kg of material were supposed to be used to produce 200 units. (2)

1.3.3 How many kg of material did the business overuse or underuse to make 200 units? (2)

1.4 The following records are obtained from the books of Phindulo Producers for the year ended 31 March 2018. 



**CONTRACT ACCOUNT**

Wages	900 000	Contract price	?
Material issued	1 200 000	Extras	50 000
Overheads	250 000		
Provision for latent defects	0		
Profit and loss	700 000		
	<b>3 050 000</b>		<b>3 050 000</b>

**ADDITIONAL INFORMATION**

- Provision for defects is estimated at 5% of profits.
- Certified work and cash received during the period amounted to R3 050 000.

**REQUIRED:**

- 1.4.1 Calculate the contract price.  (2)
- 1.4.2 State if the amount indicated for profit and loss is correct or not. Give a reason for the answer. (2)
- 1.4.3 How much was held back by the contractee? (2)
- 1.4.4 Give TWO disadvantages of cost plus contract. (2 × 2) (4)
- 1.5 Boys Ltd, manufacturers of boys jeans, has provided you with the following information for their financial year ended 31 May 2018: 

DESCRIPTION	AMOUNT
Total cost	R35 000
Net income	R15 500
Marginal income	R19 000
Estimated units sold	800
Sales	R60 000

Calculate the following and round to the nearest rand:

- 1.5.1 Fixed cost  (1)
- 1.5.2 Breakeven quantity (5)
- 1.5.3 Breakeven value (3)
- [50]**

**TOTAL SECTION A: 50**

**SECTION B****QUESTION 2**

Benedict and Sons are manufacturers of kids' school bags, using two types of material.

The following information is an extract from their records:

**STANDARD INFORMATION**

The company uses 2,5 kg of material A @ a standard rate of R50,00 per kg and 3,5 kg of material B @ R20,00 per kg.

5 labour hours are required to produce ONE unit. The standard rate for labour is R32,00 per hour.

The actual records of the business reflects the following:

150 school bags were made.

Material: 465 kg of material A @ R61,50 per kg

735 kg of material B @ R18,50 per kg

Wages: 1 250 hours @ R45 000

**REQUIRED:**

Calculate the following variances and state whether each variance is 'Favourable' or 'Unfavourable':

- |     |   |      |
|-----|---|------|
| 2.1 | Price of material for material A  | (5)  |
| 2.2 | Quantity of material for material A and B   | (10) |
| 2.3 | Labour rate   | (5)  |
| 2.4 | Labour efficiency   | (5)  |
| 2.5 | Recalculate the labour rate variance if the total hours clocked were 1 500 hours. | (3)  |
| 2.6 | Give TWO reasons for the variance in QUESTION 2.5.                                | (2)  |

**[30]**

**QUESTION 3**

3.1 Trendy Fashions Ltd manufactures THREE different products. The information below is an extract from their records for June 2018:



	<b>PRODUCT A</b>	<b>PRODUCT B</b>
Material	9 kg @ R15 per kg	12 kg @ R8 per kg
Labour	2 hours @ R14 per hour	3 hours @ R6 per hour
Overheads	1 hour @ R10 per hour	2 hours @ R7,50 per hour
Production	10 000 units	12 000 units
Opening stock	25 000	18 000
Closing stock	15 000	12 000

Draw up the following budgets:

3.1.1 Material budget (12)

3.1.2 Labour budget  (4)

3.2 The following information is provided regarding Kronjie Producers:

Budgeted units	105 000
Material	R350 000
Labour	R400 000
Variable overheads	R600 000
Fixed overheads	R450 000

**ADDITIONAL INFORMATION**

- Fixed cost will remain the same up to 150 000 units and thereafter it will increase by 15%.
- The expected selling price per unit is R25,00.



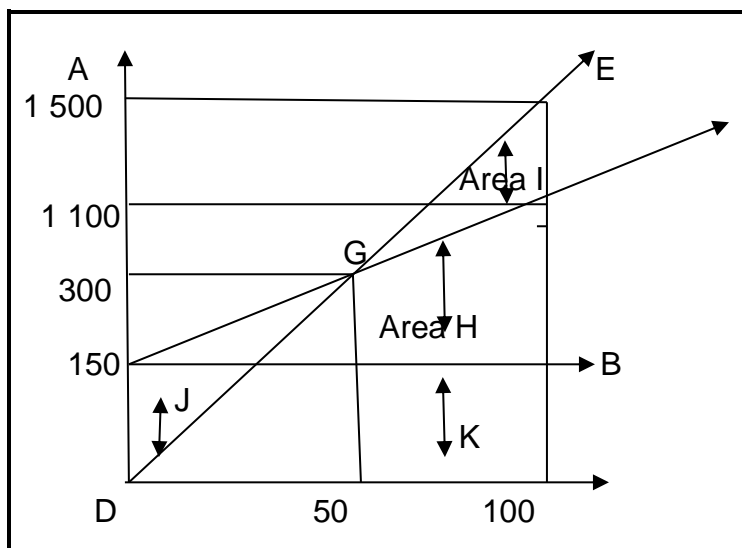
Complete the following table by filling in the missing figure where each question mark is indicated. Round off to the second decimal.

	<b>UNIT PRICE</b>	<b>130 000 UNITS</b>	<b>180 000 UNITS</b>
Material	?	?	?
Labour	?	?	?
Variable overheads	?	?	?
Fixed overheads		?	?
Total costs		?	?
Total sales	R25		

(14)  
[30]

### QUESTION 4


Answer the questions with regard to the graph. 



4.1 Calculate the following and show all the calculations:

4.1.1 Selling price per unit

4.1.2 Total cost per unit

4.1.3 Variable cost per unit 

4.1.4 Marginal income per unit

4.1.5 Safety margin in units

4.1.6 Safety margin in Rand

(6 × 2) (12)

4.2 Answer the following regarding the graph in QUESTION 4:

4.2.1 Name line AD. (1)

4.2.2 Name line DE. (1)

4.2.3 Explain the meaning of point G. (2)

4.2.4 Name area J. (1)

4.2.5 Name area I.  (1)

4.2.6 Name area H. (1)

4.2.7 Name area K. (1)



- 4.3 Tiffany Wood Suppliers provided you with the following incorrectly prepared income statement by their newly appointed bookkeeper:



### INCOME STATEMENT

Variable manufacturing overheads	24 000
Plus: Fixed manufacturing overheads	6 500
<b>Marginal cost</b>	<b>30 500</b>
Less: Variable manufacturing overheads	(25 000)
Direct materials	(10 000)
Fixed selling and administrative cost	(5 000)
Direct labour	(15 000)
<b>Gross loss</b>	<b>(24 500)</b>
Add: Sales	300 000
<b>Net profit</b>	<b>275 500</b>

#### REQUIRED:

Correctly prepare the income statement according to the direct costing method.

(10)  
[30]

### QUESTION 5


Answer the questions with regard to the following:



DETAILS	CONTRACT TXT
Contract price	R45 000 000
Materials issued	R1 800 000
Wages paid	R1 200 000
Overheads	R3 500 000
Material returned to suppliers	R65 000
Material transferred to contract TBT from contract TXT	R750 000
Depreciation	R350 000
Certified work	R15 000 000
Uncertified work	R1 200 000
Cash received	R35 000 000
Total expected cost for the contract	R28 000 000
Extras	R5 500 000
Provision for latent defects	10% of profits

#### REQUIRED:

- 5.1 Prepare the contract account for contract TXT (12)
- 5.2 Calculate the % of completion of the contract using the cost-basis formula. (2)
- 5.3 Calculate the total estimated profit. (4)

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

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

5.5 Calculate the adjusted profit for the year, taking the provision for latent defects into consideration.

(4)  
[30]

## QUESTION 6

Charmed Ltd manufactures tables using two types of materials, wood and steel.

The company is currently busy with the production of two jobs, namely Job Eco and Job Edu.

### BALANCES ON 1 JANUARY 2017


Manufacturing account	<b>130 000</b>
Raw material control account	85 000
Applied overheads account	125 000
Cost ledger:	
Job Eco	62 000
Job Edu	68 000
Material ledger:	
Wood	55 500
Steel	12 500






### TRANSACTIONS DURING THE YEAR

Labour			R95 000
Overheads			R101 000
Materials issued:	Job Eco	Job Edu	
Wood	25 000	6 500	
Steel	5 500	2 250	

### ADDITIONAL INFORMATION

- Selling and administration cost amounting to R55 000 were allocated equally to Job Eco and Job Edu.
- 5 000 hours were clocked and worked during the period.
- Job Eco was completed and invoiced at 65% on cost price.
- Summary of labour hours are as follows:  
Job Eco 2 500 hours   
Job Edu 2 500 hours
- Overheads are applied at 85% of direct material costs.

**REQUIRED:**

6.1	Complete the accounts for the following jobs in the cost ledger:		
6.1.1	Job Eco 		
6.1.2	Job Edu	(5 × 2)	(10)
6.2	Enter the transactions in the following general ledger accounts:		
6.2.1	Material control account 		(3)
6.2.2	Production control account		(6)
6.2.3	Manufacturing overheads control account		(3)
6.2.4	Applied overheads control account		(2)
6.3	Prepare the job-costing statement for the completed job.		(6) <b>[30]</b>
		<b>TOTAL SECTION B:</b>	<b>150</b>
		<b>GRAND TOTAL:</b>	<b>200</b>