



**higher education  
& training**

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

# **MARKING GUIDELINE**

**NATIONAL CERTIFICATE**

**JUNE EXAMINATION**

**COST AND MANAGEMENT ACCOUNTING N6**

**24 MAY 2013**

**This marking guideline consists of 8 pages.**

**QUESTION 1**

- 1.1 D✓✓  
 1.2 J✓✓  
 1.3 L✓✓  
 1.4 G✓✓  
 1.5 K✓✓  
 1.6 E✓✓  
 1.7 C✓✓  
 1.8 A✓✓  
 1.9 H✓✓  
 1.10 F✓✓

(10 × 2) [20]

**QUESTION 2**

- 2.1 2.1.1 It relates to the previous period's work in progress, i.e. work that has been started but completed and which has been transferred to the current period. ✓✓  
 It is part of the production costs for this period as the business will still have to do work on it so that this work in progress becomes finished goods. ✓ (3)
- 2.1.2 It relates to this period's work in progress, i.e. work that has been started but not completed and which will be transferred to the next period ✓ (1)
- 2.2 2.2.1 Provision for latent defects as 25% of profit  
 $= (13\,500\,000 - 9\,500\,000) \times 25\%$ ✓  
 $= R1\,000\,000,00$ ✓
- 2.2.2 Provision for latent defects as retention money  
 $= \text{Certified work} - \text{Cash received}$   
 $= 14\,300\,000 - 13\,000\,000$ ✓  
 $= R1\,300\,000,00$ ✓ (2 × 2) (4)

## COST AND MANAGEMENT ACCOUNTING N6

- 2.3      2.3.1      Fixed cost✓✓
- 2.3.2      Total cost is made up of fixed and variable cost. Fixed cost does not change in proportion to the number of units produced, therefore fixed cost will always be incurred even if zero units are produced.✓✓
- 2.3.3      Variable cost✓✓
- 2.3.4      Yes. If zero units are sold then the total sales will be zero (Sales is calculated by units x selling price per unit.)✓✓
- (4 × 2)      (8)
- 2.4      2.4.1      Standard quantity  
                 = 450 × 0,5  
                 = 225✓✓
- 2.4.2      230 actual - 225 standard  
                 = 5 kg ✓  
                 = over-used✓
- 2.4.3      Unfavourable✓✓
- 2.4.4      • Wastage of materials✓✓  
                 • Materials not of the required quality  
                 • Poor control over the use of materials  
                 • Incorrect standard was set
- (Any 1 × 2)
- 2.4.5      Standard price  
                 = 230 kg × R15  
                 = R3 450✓✓
- 2.4.6      • Increase in labour costs/rates✓✓  
                 • Use of more skilled labour  
                 • Overtime  
                 • Incorrect standard was set
- (Any 1 × 2)  
(6 × 2)      (12)
- 2.5      No. Even though estimates are not 100% accurate, planning for the future forces management to set goals and standards. With budgeting, they also predict what costs and incomes would be based on some tested basis. When they compare actual figures to these estimates at the end of a period, it will be meaningful as they will know to what extent the business has achieved its goals i.r.o. not exceeding its costs and increasing its incomes.  
(Read the students' responses carefully to determine the correctness.)
- (2)  
[30]

## QUESTION 3

## 3.1 COST LEDGER

## JOB: PRINT-400

Balance b/d	25 000	✓	Finished Goods	187 600	✓
Materials	54 000	✓			
Labour	60 000	✓			
App. man. ohds	48 600	✓✓			
	187 600			187 600	

(6)

## JOB: COMP-530

Balance b/d	18 000	✓	Bal c/d (WIP)	226 700	✓
Materials	73 000	✓			
Labour	70 000	✓			
App. man. ohds	65 700	✓✓			
	226 700			226 700	

(6)

## 3.2

<b>Job: Print-400:</b>					
Cost of finished goods			187 600		✓
Selling and admin costs			12 000		✓
Total costs			199 600		✓
Profit @ 50%			99 800		✓
Selling price			299 400		✓
Cost of finished goods			187 600		✓

(5)

## 3.3

COST PER JOB	JOB: PRINT-400		JOB: COMP-530	
Production costs	187 600	✓	226 700	✓
Selling and admin costs	12 000	✓	8 000	✓
Total costs	199 600	✓	234 700	✓
No. of units produced	5 000	✓	3 000	✓
Total cost per unit	40	✓	78	✓

(10)

## 3.4

ACTUAL OVERHEADS	115 000	✓	
APPLIED OVERHEADS**	114 300	✓	** (48,600 + 65,700)
UNDERAPPLICATION	700	✓	

(3)

[30]

**QUESTION 4**

4.1 Percentage of completion

$$= \frac{8\,000\,000\checkmark}{50\,000\,000 + 7\,000\,000\checkmark\checkmark}$$

$$= 14\%\checkmark \quad (4)$$

4.2 Total estimated profit

$$= (50\,000\,000 + 7\,000\,000) - 29\,000\,000\checkmark\checkmark\checkmark$$

$$= R\,28\,000\,000\checkmark \quad (4)$$

4.3 Profit for the year

$$= \frac{14\% \times 28\,000\,000 \times 8\,000\,000\checkmark\checkmark\checkmark}{(50\,000\,000 + 7\,000\,000)\checkmark\checkmark}$$

$$= R\,550\,175\checkmark \quad (6)$$

4.4 Provision for latent defects

$$= R\,550\,175 - (R\,8\,000\,000 - R\,7\,500\,000)\checkmark\checkmark\checkmark$$

$$= R\,50\,175\checkmark$$

ADJUSTED PROFIT

$$= R\,550\,175 - R\,50\,175\checkmark\checkmark$$

$$= R\,500\,000\checkmark \quad (7)$$

4.5 Cost of materials

$$= (1\,500\,000 + 800\,000) - (15\,000 + 5\,000)\checkmark\checkmark\checkmark\checkmark$$

$$= R\,2\,280\,000\checkmark \quad (5)$$

4.6 Depreciation on machinery

$$= 4\,000\,000 - 3\,200\,000$$

$$= R\,800\,000\checkmark\checkmark \quad (2)$$

4.7

- Incomplete✓
- Only 14% completed
- Has uncertified work
- Certified work is not = contract price + extras
- Costs incurred to date not = total expected costs

(Any 2 × 1) (2)  
[30]

**QUESTION 5**

- 5.1 5.1.1 (SP - AP) AQ✓  
 = [R120 - 91375 000/11 0000] 11 000✓✓✓✓  
 = (R120 - R125) 11 000  
 = 55 000 unfavourable✓
  
- 5.1.2 (SQ - AQ) SP✓  
 = [(2 000 × 4,5) - 9 500 ] R120✓✓✓✓  
 = (9 000 - 9 500) R120  
 = 66 000 unfavourable✓
  
- 5.1.3 (SR - AR) AT✓  
 = [R20 - (R231 000/10 500)] 10 500✓✓✓✓  
 = (R20 - R22) 10 500  
 = 21 000 unfavourable✓
  
- 5.1.4 (ST - AT) SR✓  
 = [(2 000 × 5) - 10 500] R20✓✓✓✓  
 = (10 000 - 10 500) R20  
 = 10 000 unfavourable✓

(4 × 6) (24)

- 5.2 (ST x SR) - (AT x AR)  
 = [(500 × 2) × R45] - [900 × R55]✓✓✓✓✓  
 = [1 000 × R45] - [900 × R55]  
 = 45 000 - 49 500  
 = 10 000 unfavourable✓

(6)  
 [30]

**QUESTION 6**

6.1 6.1.1

**INCOME STATEMENT OF PYAAR PRODUCERS**

<b>ABSORPTION METHOD</b>				
Sales			4 500 000	✓
Less: Manufacturing costs:			2 495 000	✓
~Direct materials	500 000	✓		
~Direct labour	630 000	✓		
~Variable man. ohds	925 000	✓		
~Fixed man. ohds	440 000	✓		
Gross profit			2 005 000	✓
Less: Selling and admin costs:			270 000	✓
~Variable selling and admin costs	150 000			
~Fixed selling and admin costs	120 000			
Net profit			1 735 000	✓

(11)

6.1.2

**INCOME STATEMENT OF PYAAR PRODUCERS**

<b>DIRECT METHOD</b>				
Sales			4 500 000	✓
Less: Variable costs:			2 205 000	✓
~Direct materials	500 000	✓		
~Direct labour	630 000	✓		
~Variable man. ohds	925 000	✓		
~Variable selling and admin costs	150 000	✓		
Marginal income			2 295 000	✓
Less: Fixed costs			560 000	✓
~Fixed man. ohds	440 000	✓		
~Fixed selling and admin costs	120 000	✓		
Net profit			1 735 000	✓

(11)

6.2

6.2.1 Breakeven units

$$= \frac{6\,000}{(70\,000/1\,000) - 10}$$

$$= 100 \text{ burgers}$$

(5)

6.2.2

It means that 100 burgers must be sold to breakeven, i.e. to make neither a profit nor a loss.

(1)

6.2.3

Business will know that that is the minimum units to sell in order to stay in business.  
It can be used it as a planning tool so that they can plan for sales to be an amount higher than the breakeven units.

(2)

[30]

**QUESTION 7**

7.1

<b>UNIT PRICE</b>			<b>450 000 UNITS</b>	<b>600 000 UNITS</b>		
Material	R1,16	✓	R522 000	✓	R696 000	✓
Labour	R1,50	✓	R675 000	✓	R900 000	✓
Variable overheads	R0,60	✓	R270 000	✓	R360 000	✓
Fixed overheads			R400 000	✓	R550 000	✓
Total costs			R1 867 000	✓	R2 506 000	✓
Total sales	R11,00	✓	R4 950 000	✓	R6 600 000	✓
Total expected income			R3 083 000	✓	R4 094 000	✓

(18)

## COST AND MANAGEMENT ACCOUNTING N6

7.2 7.2.1

PERIOD	CASH FLOW	15% FACTOR	PV	✓✓
0	-1 000 000	1	-1 000 000	✓
1	100 000	1	87 000	✓
2	250 000	1	189 000	✓
3	400 000	1	263 200	✓
4	450 000	1	257 400	✓
<b>NET PRESENT VALUE</b>			-203 400	✓✓

✓ mark for correct factors (9)

7.2.2

No, the business should not buy the machine.✓

The NPV of the machine is negative, therefore the business will make a loss if they buy the machine (i.e. cash outflow > inflow)✓✓

(3)  
[30]**TOTAL: 200**