MARKING GUIDELINE

NATIONAL CERTIFICATE

NOVEMBER EXAMINATION

COST AND ACCOUNTING MANAGEMENT N6

26 NOVEMBER 2013

This marking guideline consists of 8 pages.

QUESTION 1

1.1   1.1.1   D
       1.1.2   C
       1.1.3   A
       1.1.4   E
       1.1.5   B

                                                               (5 × 1)   (5)

1.2   1.2.1   R45 000   (1)

       1.2.2   Under-applied   (1)

       1.2.3   Applied overheads/40%
                   = 50 000/40%
                   = R125 000   (3)

       1.2.4   Prime cost + manufacturing overheads
                   = 125 000 + 50 000
                   = R175 000   (3)

       1.2.5   Prime cost– direct labour
                   = 125 000 – 70 000
                   = R55 000   (2)

1.3   1.3.1   Complete   (1)

       1.3.2   Certified work = contract price + extras   (1)

       1.3.3   Certified work – Cash received
                   = 4 000 000 – 3 500 000
                   = R500 000   (3)

       1.3.4   Total profit
                   = (Contract price + extras) – Total costs to date
                   = (2 500 000 + 1 500 000) – 2 800 000
                   = R1 200 000

                   Adjusted profit to be recorded in the income statement
                   Total profit – provision for latent
                   = 1 200 000 – 500 000
                   = R700 000   (5)

1.4   1.4.1   Break-even units x Marginal income per unit
                   = 2 000 x (R10 – R8)
                   = 2 000 x R2
                   = R4 000   (4)

       1.4.2   If the business sells 2 000 units, then it will make neither a profit nor a loss   (2)

       1.4.3   It will make a profit.

                 2 500 units are more than break-even units of 2 000   (2)

       1.4.4   Break-even value
                 = 2 000 units x R10
                 = R20 000   (2)

1.5   1.5.1   1 300 x R50
                 R65 000   (2)

       1.5.2   The business paid more
                 = R71 500 – R65 000
                 = R6 500   (2)

       1.5.3   Unfavourable   (1)

       1.5.4
- The price of the wood increased.
- The business could have bought in smaller quantities and paid more.
- A new supplier was used and a discount was not received.

                                          (Any 1 × 1)   (1)

       1.5.5   = 600 x 2
                 = 1 200 m^2 (2)

       1.5.6   Unfavourably
                 By 100 m^2 (2)

1.6   1.6.1   Total Sales @ 80% capacity
                 = 500 000 x 80/60
                 = R666 666,67   (2)

       1.6.2   Total variable cost @ 50% capacity
                 = 150 000 x 50/60
                 = R125 000,00   (2)

       1.6.3   R100 000,00   (1)

                                        [50]

                                          Please turn over

QUESTION 2

2.1   2.1.1

JOB EAST205	
Balance b/d	18 000
Direct materials	20 000
Direct labour	40 000
Manufacturing overheads	30 000
Total production costs	108 000
Plus: Selling and admin costs	15 000
Total costs	123 000
Profit (25%)	30 750
Selling price	153 750

(11)

2.1.2   Cost per unit
= 123 000/10 000
= R12,30   (3)

2.1.3   During a previous period.
There is a balance brought down (from previous period)   (2)

2.2   2.2.1

PRODUCTION CONTROL

Balance b/d		83 000	Finished goods**	156 000
Material control	(22 + 8)	30 000	Balance c/d (WIP)***	25 000
Labour control	(30 + 10)	40 000		181 000
Man. Ohds control*	(40 * 70%)	28 000		
		181 000		

(10)

= 40 000 x 70%
= [83 000 + 22 000 + 30 000 + (30 000 x 70%)]
= [8 000 + 10 000 + (1 000 * 70%)]
Also the balancing amount

There must be ONE final amount in the production control account for each item.

2.2.2   MATERIAL CONTROL

Balance b/d	14 000	Production	30 000
Creditors Control	60 000	Balance c/d	44 000
	74 000		74 000

(4)
[30]

QUESTION 3

3.1

CONTRACT: LENNOXTON SCHOOL

Material issued	190 000	Material returned	15 000
Loan	360 000	Material transferred	40 000
Overheads	220 000	Material on hand	18 000
Machiner @ boy	550 000	Mach. Bal @ eoy	480 000
Prov. For latent defects	129 900	Certified work	1 000 000
Profit & Loss	303 100	Uncertified work	200 000
	1 753 000		1 753 000

(14)

3.2   3.2.1   (Contract price + extras) – Total expected costs
= (7 000 000 + 500 000) – 3 000 000
= 4 500 000   (4)

3.2.2 $\dfrac{45\% \times 4\,500\,000 \times 1\,000\,000}{1\,500\,000}$
= R1 350 000,00   (5)

3.2.3   Adjusted profit:
= 1 350 000 – (1 350 000 x 20%)
= 1 350 000 – 270 000
= R1 080 000,00   (4)

3.2.4   Initially, the contract is agreed to by both the contractor and
contractee. If, due to unforeseen circumstances (e.g. Economic
recession resulting in abnormal price increases), this price needs
to be increased and both parties agree to this, then this increase id
referred to as extras.   (2)

3.2.5   Product-orientated costing   (1)
[30]

QUESTION 4

4.1   4.1.1   Materials quantity variance
= (SQ – AQ) SP
= [(2 000/100) – 25] 45
= (20 – 25) 45
= 225 UNFAVOURABLE   (6)

       4.1.2   Materials price variance
= (SP – AP) AQ
= [R45 – (R1 000/25)] 25
= (R45 – R40) 25
= R125 FAVUORABLY   (6)

4.2   4.2.1   Labour rate variance
= (SR – AR) AT
= [R80 – (R984,000/12,000)] 12 000
= (R80 – R82) 12 000
= R24 000 UNFAVOURABLY   (6)

       4.2.2   Labour efficiency variance
= (ST – AT) SR
= [(5 900 x 2) – 12 000] R80
= (11 800 – 12 000) R80
= 16 000 UNFAVOURABLE   (6)

       4.2.3   Fixed manufacturing overhead volume variance
= (ST – BT) SR
= (11 800 – 10 000)] (R60 000/10 000 ure)
= 10 800 GFAVUORABLE   (6)
                                                    [30]

QUESTION 5

5.1   5.1.1   Fixed cost
= Marginal income – Net profit
= 90 000 – 15 000
= R75 000

(3)

Model used:	
(work backwards to calc missing figures)	
Sales	145 000
Less: variable cost	55 000
Marginal income (given)	
	90 000
koste Less: Fixed cost	75 000
Net profit lgiven)	15 000

5.1.2   Varibale cost
         = Total cost − Fixed cost
         = 130 000 − 75 000
         = R55 000   (3)

5.1.3   Sales
         = Marginal cost + Variable cost
         = 90 000 + 55 000
         = R145 000   (3)

5.1.4   Direct costing   (1)

5.2   5.2.1   Total sales line
       5.2.2   Fixed cost line
       5.2.3   Total cost line
       5.2.4   Total cost is made uo of fixed and variable cost. Fixed cost
                remains unchanged even if zero units are produced.
                Therefore total cost will be = fixed cost + variable cost
       5.2.5   Variable cost
       5.2.6   Profit
       5.2.7   Loss
       5.2.8   Breakeven units
       5.2.9   Breakeven value
       5.2.10   Safety margin in units
                                                         (10 × 2)   (20)
                                                                    [30]

QUESTION6

6.1   PRODUCTION BUDGET

	TABLES	CHAIRS
Sales requirements	300	500
Add: desired Closing Stock	10	50
Total stock requirements	310	550
Less: Opening Stock	15	53
Number of units to be produced	295	497

                                                                           (10)

6.2   LABOYUR BUDGETS

	TAPS	TILES
Production requirements (units)	950	1 500
Labour hours required to produce I unit	18	20
Total labour hours required for production	17 100	30 000
Labour rate per hour	55	20
Total labour cost	940 500	600 000

                                                                           (10)

Please turn over

6.3   6.3.1   The business should NOT buy ANY vehicle   (1)

6.3.2
- The NPV of both vehicles are negative.
- This means that if either are bought the business will suffer financially as the cash outflows of these vehicles are greater than the cash inflows that they will bring into the business.   (2)

6.3.3   The NPV must be positive. Further, if faced with a choice, she should choose the vehicle with the HIGHEST POSITIVE NPV.   (1)

6.3.4
= R160 000 – 58 000
= R102 000   (3)

6.3.5
= R160 000 – 40 000
= R120 000   (3)
[30]

TOTAL: 200