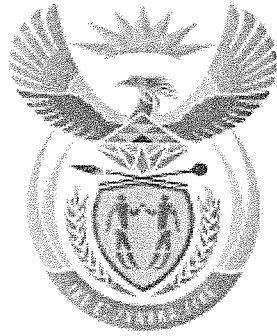


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**higher education
& training**

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE

NOVEMBER EXAMINATION

COST AND MANAGEMENT ACCOUNTING N6

10 NOVEMBER 2014

This marking guideline consists of 8 pages.

QUESTION 1

- 1.1 1.1.1 It refers to the production costs that have been applied to production in the previous period. Production that was started in the previous period but not yet finished in that period. ✓ (1)
- 1.1.2 It consists of direct material, direct labour and manufacturing overheads or production costs. ✓ (1)
- 1.1.3 No ✓ (1)
- 1.1.4 Indirect materials are included in manufacturing overheads. ✓ (1)
- 1.1.5 = 69 000/46 000 ✓✓
= 150% of labour cost ✓ (3)
- 1.1.6 It represents work-in-progress, i.e. production units that have been started in this period but not yet completed. ✓ (1)
- 1.1.7 No. ✓ The business will add on the profit first before it sells the goods. ✓ (2)
- 1.2 1.2.1 It means that the contract is 45% complete. ✓ (1)
- 1.2.2 Because the contract is not 100% complete, but only 45% complete. ✓ (1)
- 1.2.3 It means that work to the value of R675 000 ✓ is completed ✓ on this contract. (2)
- 1.2.4 An expert in the building field, e.g. an architect ✓ (1)
- 1.2.5 Retention money ✓ (1)
- 1.2.6 The business retained R75 000 to use in case of any latent defects in the building. ✓ (1)
- 1.2.7 R1 500 000 ✓ (1)
- 1.2.8 $(1\ 500\ 000 - 1\ 000\ 000) * 45\%$
R225 000 ✓ (2)
- 1.3 1.3.1 = R60 000/R100 ✓
= 600 units ✓ (3)
- 1.3.2 = R100 – R35 ✓
= R65 ✓ (2)

COST AND MANAGEMENT ACCOUNTING N6

- 1.3.3 = 600 units x R65 ✓✓
= R39 000 ✓ (3)
- 1.3.4 It means that the business' sales ✓ must amount to R60 000 for the business to break-even. ✓ (2)
- 1.4 1.4.1 30 000 m ✓✓ (1 500 x 20) (2)
- 1.4.2 2 000 m ✓ less ✓ (30 000 – 28 000) (2)
- 1.4.3 Favourable ✓ (1)
- 1.4.4 R22 400 000 ✓✓ (28 000 x R800) (2)
- 1.4.5 R100 000 ✓ more ✓ (22 500 000 – R22 400 000) (2)
- 1.4.6 Bought from a new supplier ✓
Bought smaller quantities and did not receive a discount
Price increase in the price of wood (Any 1 × 1) (1)
- 1.5 1.5.1 A business must produce ✓ according to how many units it needs to sell ✓ e.g. if a business needs to sell 60 000 units then it must produce 60 000 units to sell. (2)
- 1.5.2 Opening stock are the units that a business has on hand. If a business has stock on hand, ✓ they will therefore need to produce that much less ✓ than the sales requirements, e.g. If the sales requirements are 60 000 and the business already has 14 000 units on hand (opening stock), then it needs to produce 46 000 units only (60 000 – 14 000). (2)
- 1.5.3 The business must have that number of units on hand ✓ at all times, therefore it must be added ✓ to the sales requirements. (2)
- 1.5.4 It represents the number of units ✓ that must be produced. ✓ (2)
- 1.5.5 Raw materials budget ✓
Labour budget (Any 1 × 1) (1)
- 1.5.6
 - Estimates and forecasts can never be 100% accurate ✓
 - All the relevant staff has to work together for the success of a budget.
 - It requires a lot of administrative work.
 - It is expensive to implement. (Any 1 × 1) (1)

[50]

COST AND MANAGEMENT ACCOUNTING N6

QUESTION 2

2.1

	BABY WORLD	LITTLE ANGELS
Direct labour cost	9,000	13,000
Rate	50	50
Direct labour hours	180 ✓	260 ✓
Manufacturing overheads @ R30/DHL	5,400 ✓	7,800 ✓

(4)

2.2

	BABY WORLD	LITTLE ANGELS
Direct labour cost	17,000	21,000
Rate	50	50
Direct labour hours	340 ✓	420 ✓
Manufacturing overheads @ R30/DHL	10,200 ✓	12,600 ✓

(4)

2.3

COST LEDGER OF NK MANUFACTURERS**JOB: BABY WORLD**

Balance b/d (5000+9000+5400)	19,400	☑✓	Balance c/d	58,600 ✓
Direct materials	12,000	✓		
Direct labour	17,000	✓		
Manufacturing overheads	10,200	✓✓		
	<u>58,600</u>			<u>58,600</u>

(7)

JOB: LITTLE ANGELS

Balance b/d (8000+13000+7800)	28,800	☑✓	Finished goods	77,400 ✓
Direct materials	15,000	✓		
Direct labour	21,000	✓		
Manufacturing overheads	12,600	✓✓		
	<u>77,400</u>			<u>77,400</u>

(7)

2.4

	BABY WORLD
Production costs	58,600
Selling and admin costs	4,000 ✓
Total costs	62,600 ✓
No of units produced	10,000 ✓
Cost per unit	6.26 ✓

(4)

2.5

	LITTLE ANGELS
Total cost	83,400 ✓
Mark-up @60%	50,040 ✓✓
Selling price	133,440 ✓

(4)

[30]

COST AND MANAGEMENT ACCOUNTING N6

QUESTION 3

3.1 3.1.1 Total estimated profit
 = (5 000 000 + 500 000) - 4 000 000 ✓✓
 = R 1,500,000 ✓ (3)

3.1.2 Profit for the year
 = $\frac{60\% \times 1\,500\,000 \times 3\,000\,000}{(5\,000\,000 + 500\,000)}$ ✓☑✓
 ✓✓
 = R 490,909 ✓ (6)

3.1.3 Provision for latent defects
 = 3 000 000 - 2 800 000 ✓✓
 = R 200,000 ✓ (3)

3.1.4 Adjusted profit
 = 490 909 - 200 000 ✓✓
 = R 290,909 ✓ (3)

3.2 Percentage of completion
 = $\frac{250\,000}{(250\,000 + 200\,000)} \times 100$ ✓✓
 = 56% ✓ (4)

3.3

CONTRACT BESTER

Direct materials	1,000,000 ✓	Certified work	4,500,000 ✓
Direct labour	1,300,000 ✓	Uncertified work	800,000 ✓
Manufacturing overheads	1,100,000 ✓		
Machinery (31/10/2013)	1,000,000 ✓		
Depreciation	150,000 ✓		
Provision for latent defects	150,000 ✓✓		
Profit & Loss	600,000 ✓✓		
	<u>5,300,000</u>		<u>5,300,000</u>

(11)
 [30]

QUESTION 4

COST AND MANAGEMENT ACCOUNTING N6

- 4.1 (SP-AP) AQ ✓
 = [R80 - (574 000/7 000)] 7 000 ✓✓✓✓
 = (80 - 82) 7 000
 = R14 000 Unfavourable ✓ (6)
- 4.2 (SQ - AQ) SP ✓
 = [(25 000 x 0.25) - 6 300] 80 ✓✓✓✓
 = (6 250 - 6 300) 80
 = 4 000 Unfavourable ✓ (6)
- 4.3 (SR - AR) AT ✓
 = [35 - (396 000/11 000)] 11 000 ✓✓✓✓
 = (35 - 36) 11 000
 = 11 000 Unfavourable ✓ (6)
- 4.4 (ST - AT) SR ✓
 = [(25 000 x 0.5) - 11 000] 35 ✓✓✓✓
 = (12 500 - 11 000) 35
 = 52 500 Favourable ✓ (6)
- 4.5 (SR - AR) AT ✓
 = (R1.50✓✓ - R1.64✓✓) 11 000 ✓
 = 1 540 Unfavourable ✓

SR	AR
= BVO/BLH	= AVO/ALH
= 15 000/10 000	= 18 000/11 000
= R 1.50	= R 1.64
<i>Award part marks for SR and AR - max 2 marks each.</i>	

(6)
[30]

QUESTION 5

- 5.1 5.1.1 Break-even value
 = 20 000 x R75 ✓✓
 = R 1,500,00✓ (3)
- 5.1.2
- | | |
|------------------------------|------------|
| Sales (20 000 x R75) | 1,500,000✓ |
| Less: Total costs | 1,500,000✓ |
| Fixed cost | 50,000✓ |
| Variable cost (20 000 x R50) | 1,000,000✓ |
| Profit/Loss | 0✓ (5) |

5.1.3 New break-even units

$$= \frac{600,000}{R75 - R50}$$

$$= 24\,000 \text{ units}$$

(4)

5.2 5.2.1 Y-axis or vertical axis or value/Rand axis

5.2.2 X-axis or horizontal axis or units axis

5.2.3 Fixed cost

5.2.4 Total cost

5.2.5 Sales

5.2.6 It is the point where the business does not make a profit or a loss. (Only award 1 mark if students merely mentioned that it is the break-even point. The question asks for an explanation of this point.)

5.2.7 Variable cost

5.2.8 Profit

5.2.9 Loss

(9 × 2) (18)
[30]

QUESTION 6

6.1 6.1.1

MACHINE PR191			
YEAR	CASH FLOW	PV FACTOR	PV
1	200,000	0,893	178,600
2	600,000	0,797	478,200
3	400,000	0,712	284,800
4	300,000	0,636	190,800
5	500,000	0,567	283,500
Less: Cost of machine			1,415,900
Net present value			(980 000)
			435,900

(7)

COST AND MANAGEMENT ACCOUNTING N6

6.1 6.1.2

MACHINE QR191			
YEAR	CASH FLOW	PV FACTOR	PV
1-5	400,000	3,605	1,442,000
Less: Cost of machine			(1200 000)
Net present value			<u>242,000</u>

(6)

6.1.3 The business should buy PR191✓ because it yields a higher positive✓ net present value

(2)

6.2 6.2.1

Month	Total Sales	Credit Sales	Credit sales collected in May
Jan	100,000	80,000	0
Feb	120,000	96,000	14,400 ✓
Mar	130,000	104,000	31,200 ✓
Apr	140,000	112,000	47,880 ✓✓*
May	150,000	120,000	0
			<u>93,480✓</u>

(5)

- Remember if credit sales are collected within 30 days, 5% discount is allowed. Therefore, only 95% of the credit sales will be collected after 30 days. 45% of April's credit sales will be collected 30 days later (in May). Therefore 45% of 95% of April's credit sales will be collected in May.

6.2.2

Month	Total Sales	Cash sales (20%)	10% Discount	After discount
Jan	100,000 ✓	20,000	2,000 ✓	18,000 ✓
Feb	120,000 ✓	24,000	2,400 ✓	21,600 ✓
Mar	130,000 ✓	26,000	2,600 ✓	23,400 ✓
				<u>63,000 ✓</u>

(10)
[30]**TOTAL: 100**