



higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

**N270(E)(N23)H
NOVEMBER EXAMINATION
NATIONAL CERTIFICATE
COST AND MANAGEMENT ACCOUNTING N6**

(4010196)

**23 November 2016 (X-Paper)
09:00–12:00**

Nonprogrammable calculators may be used.

This question paper consists of 11 pages and an answer book of 12 pages.

DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA
NATIONAL CERTIFICATE
COST AND MANAGEMENT ACCOUNTING N6
TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS TO INVIGILATORS

1. Ensure that ALL candidates use the ANSWER BOOK attached to this question paper.
2. Do NOT attach any other ANSWER BOOK to the one attached to this question paper.
3. Students will be penalised if the ANSWER BOOK attached at the back of this question paper is placed inside another ANSWER BOOK.
4. If the ANSWER BOOK attached at the end of this question paper is NOT stapled in the correct order, please instruct the candidates to remove the staple, put the ANSWER BOOK in the correct order and then restaple the ANSWER BOOK.

INSTRUCTIONS TO CANDIDATES

1. Answer ALL the questions neatly in the ANSWER BOOK attached at the end of this question paper.
 2. Read ALL the questions carefully.
 3. Number the answers according to the numbering system used in this question paper.
 4. Do NOT use any other ANSWER BOOK to answer this question paper and do NOT attach any other ANSWER BOOK to the one attached at the end of this question paper.
 5. ALL calculations, where applicable, must be shown.
 6. Write neatly and legibly.
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QUESTION 1

1.1 Study the following materials control account and answer the questions:

MATERIALS CONTROL

Balance b/d	50 000	Production Control	100 000
Bank	200 000	Manufacturing Overhead Control	30 000
		Balance c/d	120 000
	250 000		250 000
Balance b/d	120 000		

- 1.1.1 Briefly explain the debit entry of R200 000. (Explain the transaction.) (2)
- 1.1.2 Why is the R200 000 debited? (1)
- 1.1.3 Briefly explain the credit entry of R100 000. (Explain the transaction.) (2)
- 1.1.4 Why is the R100 000 credited? (1)
- 1.1.5 Briefly explain the credit entry of R30 000. (Explain the transaction.) (2)
- 1.1.6 Why is the R30 000 credited? (1)
- 1.1.7 What does the balance c/d of R120 000 mean? (1)

1.2 The following information was extracted from the records of Fusion Paint Manufacturers:

Total cost	R300 000
Net income	R140 000
Marginal income	R260 000

Calculate the following:

- 1.2.1 Total fixed costs (3)
- 1.2.2 Variable costs (3)
- 1.2.3 Total sales (3)
- 1.3 State the formula to calculate marginal income. (1)

- 1.4 Choose a description from COLUMN B that matches the word(s) in COLUMN A. Write only the letter (A–K) next to the question number (1.4.1–1.4.10) in the ANSWER BOOK.

COLUMN A		COLUMN B
1.4.1	Retention money	A the cost of that portion of work that has progressed since the issuing of the last certificate
1.4.2	Progress payments	
1.4.3	Cost-plus contract	B the contracting parties will agree, before the contract can commence, to a fixed price that will be paid to the contractor on completion of the contract
1.4.4	Contractor	
1.4.5	Fixed-price contract	C the value of approved work completed as valued by an independent expert/architect
1.4.6	Certified work	
1.4.7	Uncertified work	D the additional amount that the contractor has to charge the contractee due to some unforeseen factors that were not prevalent at the signing of the contract
1.4.8	Latent defects	
1.4.9	Tender price	E the person/party that wants the contract to be completed
1.4.10	Extras	F the price that contractors indicate they will charge a contractee when they are invited to apply to complete a contract
		G payments made by the contractee to the contractor during the course of the contract
		H the person/party who is responsible for executing (doing the work) on the contract
		I the contractee agrees to pay the contractor all the costs that he/she incurs during the course of the contract plus an additional fixed amount or percentage
		J the money that is withheld by the contractee from a progress payment to protect himself/herself against any defective work done by the contractor
		K any defects in the work provided by the contractor

(10 × 1) (10)

1.5 The following standard information was extracted from Siyabonga Furnishers:

10 metres of wood is needed to make ONE bedroom suite.
The standard price of wood is R500 per metre.

30 labour hours are required to make ONE bedroom suite.
The standard price of labour is R110 per hour.

At the end of the month, Siyabonga Furnishers actually produced 60 bedroom suites using 2 000 hours of labour. The business paid R230 000 for direct labour.

- 1.5.1 How many labour hours were used by the business to make 60 bedroom suites? Show ALL your workings. (2)
- 1.5.2 Has the business used more or less labour hours than it planned to use to manufacture 60 bedroom suites? State by how much. Show ALL your workings. (2)
- 1.5.3 Is the variance calculated in QUESTION 1.5.2 favourable or unfavourable for the business? (1)
- 1.5.4 How much was paid for the labour it used to make 60 bedroom suites? Show ALL your workings. (3)
- 1.5.5 Did the business pay more or less than it planned to pay for the labour that it used? State by how much. Show ALL your workings. (2)

1.6 Mahindra Manufacturers want to buy a new delivery vehicle. After careful investigation three vehicles were identified. Details of the vehicles are as follows:

VEHICLE	COST	NET PRESENT VALUE
A	R450 000	R18 000
B	R800 000	R10 000
C	R200 000	R5 000

The expected rate of return for ALL vehicles is 15%.

- 1.6.1 Which vehicle should the business buy? (1)
- 1.6.2 Give a reason for your answer in QUESTION 1.6.1. (3)
- 1.6.3 Calculate the total of the cash inflows for Vehicle A. Show ALL your workings. (3)
- 1.6.4 Calculate the total of the cash inflows for Vehicle B. Show ALL your workings. (3)

[50]

QUESTION 2

Bulldog Manufacturers use a job-costing system. They are currently busy with two jobs, namely BM1 and BM2. The following information was extracted from their records on 31 August 2015:

Details	Job BM1	Job BM2
Material (01/08/15)	150 000	40 000
Labour (01/08/15)	180 000	29 000
Applied Overheads (01/08/15)	270 000	43 500

Costs incurred during August 2015:

Details	Job BM1	Job BM2
Material	32 000	88 500
Labour	44 000	45 900
Number of units produced	60 000	40 000

Additional information:

- Overheads are allocated at 150% of direct labour costs.
- Both jobs were complete at the end of August 2015.
- Selling and administration costs amounted to R150 000, which is allocated amongst the jobs (BM1 and BM2) in the ratio 5 : 3 respectively.
- The selling price per unit for each job is as follows:
 - Job BM1: R20,00
 - Job BM2: R12,50

- 2.1 Prepare a job card for job BM1 only. Clearly label each item (amount) in the job card. Show clearly the profit and the selling price. (10)
- 2.2 Prepare the account for job BM2 only in the cost ledger. (6)
- 2.3. Calculate the cost per unit for each job. (7)
- 2.4 Complete the production control account in the general ledger. (7)

[30]

QUESTION 3

HoneyBun Construction is currently busy with a three-year contract, namely Murray565. The following extract was taken from their records on 31 May 2015, the end of its financial year:

CONTRACT: MURRAY565

Direct materials	700 000
Direct labour	200 000
Manufacturing overheads	300 000
Subcontractors' fees	100 000

Additional information:

- The contract commenced on 1 December 2013.
- The contract price is R8 000 000, agreed upon at the commencement of the contract.
- During 2014, extras to the value of R400 000 was agreed upon by both contracting parties.
- The total costs for the entire contract is estimated at R6 500 000.
- Certified work on 31 May 2015 amounted to R1 500 000.
- Uncertified work on 31 May 2015 amounted to R45 000.
- The cash received on the contract amounted to R1 450 000.

REQUIRED:

- 3.1 Complete the contract account for Contract Murray565. The retention money must be treated as a provision for latent defects. Show clearly the profit or loss on the contract. (10)
- 3.2 Calculate the percentage of completion of the contract using the formula: (Round off your answer to the nearest whole)
- $$\frac{\text{Costs incurred to date} \times 100}{\text{Total estimated costs}} \quad 1 \quad (6)$$
- 3.3 Calculate the total estimated profit. (4)
- 3.4 Calculate the profit for the year, using the following formula: (Round off your answer to the nearest whole)
- $$\% \text{ completed} \times \frac{\text{total estimated profit}}{1} \times \frac{\text{cash received}}{\text{certified work}} \quad (5)$$
- 3.5 Calculate the adjusted profit for the year, assuming that 25% of the profit must be treated as a provision for latent defects. (4)
- 3.6 Is the Murray565 contract complete or incomplete? (1)

[30]

QUESTION 4

Pillow Talk makes silk bedsheets and pillow cases, which are sold as a set.

The business uses 3 metres of silk material for ONE bed linen set. The standard price of the silk material is R50 per metre.

4 labour hours are required to make ONE bed linen set. The standard rate for labour is R42 per hour. The business estimated that 1 500 labour hours will be used.

Budgeted overheads were as follows:

- Fixed overheads: R30 000
- Variable overheads: R45 000

At the end of the year, it was determined that the business actually produced 400 silk bedding sets using 1 300 metres of silk material. Pillow Talk purchased 1 500 metres of silk material for R78 750.

Additional actual details were as follows:

- 1 700 labour hours were used at a total cost of R76 500
- Fixed overheads: R33 000
- Variable overheads: R43 000

Calculate the following variances showing clearly the formula used. State whether each variance is favourable or unfavourable:

- 4.1 Material price
- 4.2 Material quantity
- 4.3 Labour rate
- 4.4 Labour efficiency
- 4.5 Variable overhead rate variance

(5 × 6) [30]

QUESTION 5

5.1 The following information appears in the records of Kurma Curtains:

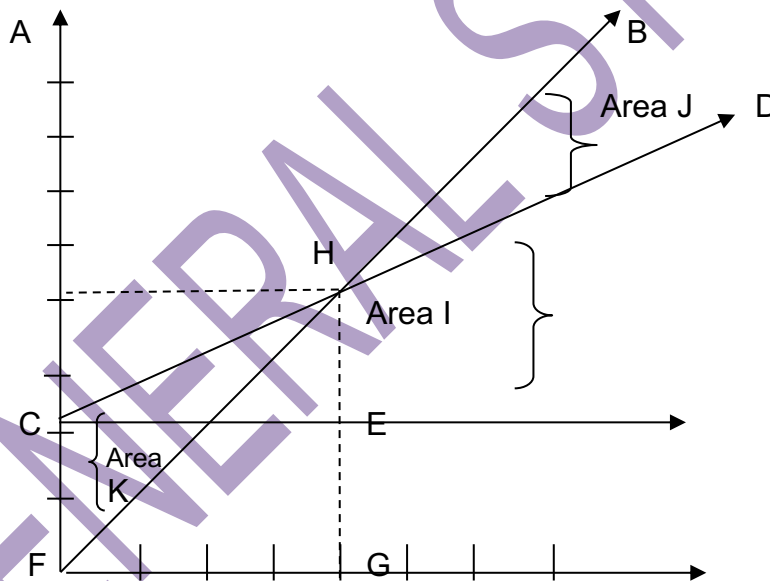
Direct materials	R45,50 per unit
Direct labour	R44,80 per unit
Fixed manufacturing overheads	R45 000
Variable manufacturing overheads	R22 200
Selling costs (10% fixed)	R10 500
Administrative costs (75% variable)	R21 000
Selling price per unit	R600,00
Units produced and sold	250

REQUIRED:

Draft the income statement according to the direct method.

(12)

5.2 Study the following information break-even graph for Discworld Distributors and answer the questions:



REQUIRED:

Label the following:

5.2.1 Line AF

5.2.2 Line FG

5.2.3 Line CE

5.2.4 Line CD

5.2.5 Line FB

- 5.2.6 Area I
- 5.2.7 Briefly describe what happens to Area I as the number of units produced increases.
- 5.2.8 Area J
- 5.2.9 Area K

(9 × 2) (18)
[30]

QUESTION 6

- 6.1 The following information was extracted from the records of Flavius (Pty) Ltd:

Total sales per month are as follows:

January	R56 000	Actual
February	R60 000	Actual
March	R80 000	Budgeted
April	R75 000	Budgeted
May	R70 000	Budgeted

Additional information:

- 80% of sales are on credit
- Debtors receive a 2% discount for ALL payments made within 30 days
- Credit sales are collected as follows:
 - 40% in the month of the sale
 - 50% 30 days after the sale
 - 5% 60 days after the sale
 - 5% is written off as irrecoverable

REQUIRED:

Calculate the Receipts from Debtors for Flavius (Pty) Ltd for March, April and May 2015.

(14)

6.2 The following budgeted information appeared in the records of Carmen Cement:

Material	R120 000
Labour	R130 000
Variable overheads	R100 000
Fixed overheads	R170 000
Budgeted production units	40 000

Additional information:

- Fixed costs will remain the same up to 60 000 units. Thereafter, it will increase to R200 000.
- The expected selling price is R90 per unit.

REQUIRED:

Calculate the missing figures in the table below if 50 000 units and 70 000 units respectively are produced and sold:

	50 000 UNITS	70 000 UNITS
Material
Labour
Variable overheads
Fixed overheads

(8 × 2)

(16)
[30]

TOTAL: 200