higher education
& training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

N280**(E)**(N21)H

NATIONAL CERTIFICATE

COST AND MANAGEMENT ACCOUNTING N6

(4010196)

21 November 2018 (X-Paper)
09:00–12:00

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

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.
2. Read ALL the questions carefully.
3. Show ALL the calculations in order for marks to be allocated.
4. Use only black or blue ink. Lead pencil answers will NOT be marked.
5. Round off amounts to the nearest Rand.
6. Write neatly and legibly.

QUESTION NUMBER	TOPIC	MARKS	RECOMMENDED TIME GUIDE
1	Short questions	50	30
2	Job costing	30	30
3	Contract costing	30	30
4	Standard costing	30	30
5	Cost control	30	30
6	Budgets	30	30
	TOTAL	**200**	**180 minutes**

QUESTION 1

1.1 Choose the correct word(s) from those given in brackets. Write only the word next to the question number (1.1.1–1.1.5) in the ANSWER BOOK.

1.1.1 Marginal income is calculated by sales less (fixed cost/variable cost).

1.1.2 Extras in a contract (increase/decrease) the original contract price.

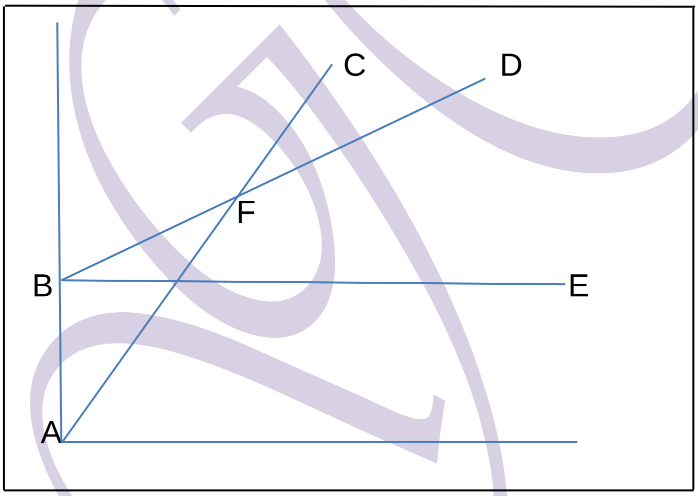
1.1.3 (Overapplied/Underapplied) is when applied manufacturing overheads are greater than applied overheads.

1.1.4 A (capital/sales) budget is drawn up to determine whether or not to buy a particular fixed asset.

1.1.5 Work in progress, but not ready for payment is called (certified/uncertified) work.

(5 × 2) (10)

1.2 Study the graph below and answer the questions:



1.2.1 What does F represent? Give an explanation for the answer. (4)

1.2.2 Name the following lines:

(a) Line AC

(b) Line BE

(c) Line BD

(3 × 2) (6)

1.3 Complete the table below by only writing the account to be debited or credited as per transaction given next to the question number (1.3.1–1.3.8) in the ANSWER BOOK.

TRANSACTIONS	ACCOUNT TO DEBIT	ACCOUNT TO CREDIT
Direct material issued	(1.3.1)	(1.3.2)
Direct labour allocated	(1.3.3)	(1.3.4)
Material purchased on credit	(1.3.5)	(1.3.6)
Applied overheads (factory)	(1.3.7)	(1.3.8)

(8 × 2) (16)

1.4 Kennedy Manufacturers makes furniture. They calculated that to make one coffee table, should take five hours at a rate of R50 per hour.

At the end of the financial period, 14 500 hours were used to manufacture 3 000 coffee tables at a rate of R45 per labour hour.

1.4.1 How much was paid in labour for the production of 3 000 coffee tables? (2)

1.4.2 How many standard hours were used in manufacturing the 3 000 coffee tables? (2)

1.4.3 Calculate the labour rate variance and state as to whether the variance is favourable or unfavourable. (6)

1.5 Various options are given as a possible answer to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.5.1–1.5.2) in the ANSWER BOOK.

1.5.1 One of the following has no effect on a cash budget:

A Equipment purchased
B Bad debts
C Electricity paid
D Interest on mortgage bond

1.5.2 A company working at 45% has electricity expenditure of R1 500. If they operate at 75%, their electricity expenditure will be …

A R1 125,00
B R2 500,00
C R 900,00
D R 675,00

(2 × 2) (4)
[50]

QUESTION 2

Zambukery Ltd manufactures baby blankets. The following is an extract from their books on 30 June 2016:

JOB	XXX1	XXX2	XXX3
Material 01/06/16	25 000	20 350	19 000
Labour 01/06/16	18 000	17 000	16 500
Applied overheads 01/06/16	62 500	32 250	36 125

Cost incurred for the current month:

	XXX1	XXX2	XXX3
Material	105 000	52 000	76 000
Labour	85 000	36 000	55 000
Selling and marketing cost	-	2 200	2 200

Number of units produced for Job XXX1, XXX2 and XXX3 were 6 000, 7 000 and 8 000 respectively.

ADDITIONAL INFORMATION

- The company allocated its overheads at a rate of R15,00 per unit produced.
- All three jobs were completed and invoiced at R65,00 per unit

REQUIRED

2.1 Complete the job card for Job XXX1. (5)

2.2 Calculate the profit/loss for Job XXX2 and Job XXX3. (18)

2.3 Complete the production control account in the general ledger of Zambukery Ltd. (7)

[30]

QUESTION 3

Bandts Contractors worked on two contracts during the year, namely the Buphelo contract and the Buitumelo contract. The contract is about building two public hospitals in Mpumalanga.

The following information was extracted from their books regarding these contracts:

	BUPHELO CONTRACT	**BUITUMELO CONTRACT**
Contract price	2 500 000	3 600 000
Certified work	1 000 000	1 800 000
Uncertified work	600 000	750 000
Wages	150 000	400 000
Material issued	300 000	350 000
Depreciation	55 000	265 000
Material transferred to Buitumelo	160 000	?
Total expected cost	1 800 000	1 750 000
Extras	50 000	75 000
Cash received	980 000	1 700 000
Provision for latent defects	15% of profit	Retention money

3.1 Prepare the contract account for the Buitumelo contract. (8)

3.2 Calculate the percentage of completion for both contracts using the certified work as a basis. (8)

3.3 Calculate the profit for the year for the Buphelo contract using the following formula: (Show all your calculations.)

$$\% \text{ completion} \times \frac{\text{estimated profit}}{1} \times \frac{\text{cash received}}{\text{certified work}}$$ (8)

3.4 Calculate the adjusted profit for the Buphelo contract, taking into account 15% of provision for latent defects on the calculated profit. (6)

[30]

QUESTION 4

Dembe Productions provided the following information regarding their production:

STANDARD INFORMATION

The business uses 2,75 kg of material per unit at a standard rate of R6,50 per kg.

Two labour hours are required to produce ONE unit. The standard rate for labour per hour is R5,85 per hour.

The business's actual records reflected the following:

600 kg material was purchased at a total price of R4 200. The company produced 190 units using 450 kg of material.

400 labour hours were clocked at a total cost of R3 600.

Fixed overheads: R42 300

Variable overheads: R38 000

Budgeted information was as follows:

Fixed overheads: R43 000

Variable overheads: R38 500

Labour hours: 300

REQUIRED

Calculate the following variances: (Indicate whether each variance is favourable or unfavourable.)

4.1 Price material

4.2 Quantity of material

4.3 Labour rate

4.4 Labour efficiency

4.5 Fixed manufacturing overhead expenditure

4.6 Variable overhead rate variance

(6 × 5) **[30]**

QUESTION 5

5.1 The following information is an extract from the books of Vhandilani Ltd:

Direct material	R15 per unit
Direct labour	R20,00 per unit
Fixed factory overheads	R15 000
Fixed office factory overheads	R12 500
Advertising and administrative cost:	
Fixed	R25 000
Variable	R32 000
Number of units manufactured	1 500 units
Number of units sold at R300,00 per unit	1 000 units

Draft the income statement using the direct/marginal method. (10)

5.2 The following information is an extract from Funanani manufacturers:

Fixed cost	R10 000,00
Variable cost per unit	R12,00
Number of units manufactured and sold	2 000
Selling price per unit	R20,00

Calculate:

5.2.1 The break-even quantity (5)

5.2.3 The break-even value (5)

5.2.3 Margin of safety in Rand value (3)

5.3 Draw the break-even graph using the information above. (7)
[30]

QUESTION 6

6.1 The following sales figures were extracted from the books of Capricorn Manufacturers:

March	R400 000
April	R450 000
May	R500 000
June	R550 000
July	R600 000
August	R650 000

- 80% of sales are on credit
- 50% of credit sales are collected in the same month of the transaction
- 25% of credit sales are collected one month after the transaction
- 20% of credit sales are collected two months after the transaction
- 5% of credit sales are written off as bad debts

REQUIRED

6.1.1 Calculate the cash sales for June, July and August. (3)

6.1.2 Calculate the cash received from debtors for June, July and August. (13)

6.2 Calculate the missing amounts in the following incomplete variable budget and write only the answer next to the question number (6.2.1–6.2.6) in the ANSWER BOOK.

	LABOUR HOURS		
	4 000	5 000	8 000
VARIABLE COSTS			
Direct wages	(6.2.1)	175 000	(6.2.2)
Indirect material	142 000	(6.2.3)	(6.2.4)
Insurance	750	(6.2.5)	1 500
FIXED COSTS			
Rent paid	1 200	(6.2.6)	1 200

(6)

6.3 Denva Computing, producers of mouses and keyboards, provided you with the following information for the year ending 31 March 2015.

Use the information below to prepare the production budget.

	MOUSES	**KEYBOARDS**
Sales (units)	5 000	3 000
Production rate per hour per unit	R15,00	R25,00
Production hours per unit	2	3
Stock of finished goods: At 1 April 2014 At 31 March 2015	 2 500 2 750	 1 800 1 950

(8)
[30]

TOTAL: 200