



UNIVERSITY
OF
JOHANNESBURG

Department of Commercial Accounting

Costing and Estimating 1B
Financial Principles in Production 1B
BKM11B1, BKM1B00, CAE01B1 and FPP11B1

LAST ASSESSMENT OPPORTUNITY

November 2015

Time: 120 minutes

Marks 70

Assessors: Mr O Takawira, Mrs R Benedict and Mr V Shandu

Moderator: Mrs R Rhodes (Internal)

INSTRUCTIONS:

- This paper consists of 8 pages (including the cover page)
- Answer all questions. Show all calculations and workings clearly.
- Silent, non-programmable calculators may be used.
- Where applicable, round all calculations to two decimal places, unless stipulated otherwise.

Question	Topic	Marks	Time
1	Introduction to Job, Process and Budgets	10	20 minutes
2	Job Costing	15	25 minutes
3	Process Costing	15	25 minutes
4	Master Budgets	15	25 minutes
5	Cash Budgets	15	25 minutes
		70	120 minutes

QUESTION 1**(10 marks)**

Fill in the missing word/s. Give only the answers.

1.1 _____ is a document or a computer file with information about a particular job.

1.2 _____ are losses over and above 1.3 _____ that happens during the production process.

1.4 _____ occurs when actual output exceeds expected output.

1.5 _____ and 1.6 _____ are referred to as prime costs.

1.7 _____ and 1.8 _____ are referred to as conversion costs.

1.9 _____ is used where a large number of homogenous products are manufactured in the same production process.

1.10 _____ provides an estimate of all receipts and payments and the manner and period in which they will be received or employed.

QUESTION 2

(15 marks)

Keith Gunt is a company involved in repairing and servicing of cars from General Motors. Their operations are designed to cater for client specifications.

The following information is available in respect of January 2015:

1. Opening balance on 1 January 2015 : Job X R14 150
2. Materials were issued as follows:
 - a. Job X R16 400
 - b. Job Y R12 200
 - c. Job Z R11 500
3. Labour costs incurred during the month:
 - a. Job X 90 hours @ R240 per hour
 - b. Job Y 50 hours @ R320 per hour
 - c. Job Z 35 hours @ R420 per hour
4. Manufacturing overheads for the month:
 - a. Job X R12 800
 - b. Job Y R13 000
 - c. Job Z R10 700
5. Job X and Job Z were completed during the month and invoiced to the clients at a selling price of R84 000 and R38 600, respectively.

REQUIRED:

Prepare the job cost cards for all jobs at the end of January 2015 and calculate the profit or

loss on Job X and Job Z.

(15)

QUESTION 3**(15 marks)**

Koo Fruity Fruit is a company that specialises in manufacturing canned fruit products and uses process costing. The process involves boiling sugar in water which is done at the beginning of the period. The syrup is then allowed to cool down. The fruits are added evenly during the second half of the process and conversion costs take place evenly throughout the whole process.

The following appeared in their records:

1. Opening work in process (45% completed) was 900 units.
2. Units added during the process amounted to 15 000 units.
3. Closing work in process (70% completed) was 650 units.

The total costs were as follows:

Opening work in process brought forward from January:

Materials: Sugar	5 460
Fruit	3 650
Conversion Costs	14 800

February:

Materials: Sugar	35 300
Fruit	68 700
Conversion Costs	56 000

REQUIRED:**Using FIFO Method:**

Prepare the 5-step process cost and report statement for 28 February 2015.

QUESTION 4**(15 marks)**

Lemu Engineering Ltd has recently completed its sales forecast for the year ending 31 December 2014. It expects to sell two products, Product 1 and Product 2, at the prices R135 and R145 respectively.

Sales demand is expected to be as follows:

Product 1	10 000 units
Product 2	6 000 units

Both products use the same raw materials and labour but different quantities per unit.

	Product 1	Product 2
Material A	10 kg	6 kg
Material B	4 kg	8 kg
Labour	6 hours	4 hours

The prices expected during 2014 for raw materials are:

Material A	R1.50 per kg
Material B	R4.00 per kg

The labour rate is expected to be R60.00 per hour.

Inventory of raw materials and finished goods in 1 January 2014 is as follows:

Material A	400 kg's
Material B	200 kg's
Product 1	600 units
Product 2	800 units

Inventory of raw materials and finished goods in 31 December 2014 is as follows:

Material A 340 kg's

Material B 170 kg's

Product 1 510 units

Product 2 680 units

Overheads costs are R2.00 per labour hour.

REQUIRED

Prepare the following for the year ending 31 December 2014:

1. Sales budget
2. Production budget
3. Raw material usage budget and purchases budget (kg's and rands)
4. Labour budget (hours and rands)

Question 5**(15 marks)**

Jodie Products Limited is a merchandising company that sells stationery and other school supplies. The company is planning its cash needs for 2014/2015. In the past Jodie Products had to borrow money in order to support peak sales of back-to-school material, which occur during January.

The following information has been provided to assist in preparing a cash budget for the period:

	December	January	February
	R	R	R
Sales	40 000	70 000	50 000
Cost of sales	24 000	42 000	30 000
Gross margin	16 000	28 000	20 000
Operating expenses			
Selling expenses	7 200	11 700	8 500
Administrative expenses	5 600	7 200	6 100
Net income	3 200	9 100	5 400

Note the following additional information:

- Administrative expenses include R2 000 depreciation each month.
- 20 % of sales are cash sales. Credit sales are collected over a three-month period in the ratio of 10% in the month of sale; 70% in the month following sale and 20% in the second month following sale. October sales amounted to R30 000, and November sales to R36 000.
- Inventory purchases are paid for within 15 days. Therefore 50% of a month's inventory purchases are paid for in the month of purchase. The remaining 50% is paid in the following month.
- Purchases amount to 75% of the following month's sales.
- Dividends of R1 000 will be declared and paid in February.
- The cash balance on 31 December was R12 110.

- Selling and administrative expenses are paid in the month in which they incur.

REQUIRED

Prepare a debtors collection and creditors payments schedule from November to February and a cash budget for January. (15)