



UNIVERSITY
OF
JOHANNESBURG

Department of Commercial Accounting

Cost and Management Accounting 2

CCZ2-2

LAST ASSESSMENT OPPORTUNITY

Date: 05 November 2015

Time: 180 minutes

Marks: 100

Assessors: Mr R Rhodes

Moderator: Mrs N Williams (internal)

Mr G Wissing (external)

INSTRUCTIONS:

- This paper consists of 9 pages (including the cover page).
- Answer all questions. Show all calculations and workings clearly.
- Draw a line under each question.
- Silent, non-programmable calculators may be used.
- Where applicable, round all calculations to two decimal places, unless stipulated otherwise.
- The question paper must be handed in.

Question	Topic	Marks	Time
1	Job costing	15	27 minutes
2	Process costing	26	47 minutes
3	Cash budget	17	30 minutes
4	Master budget	26	47 minutes
5	Flexible budget	16	29 minutes
		100	180 minutes

QUESTION 1**(15 marks)**

RWCB make special edition toys for international events. With the approach of the rugby world cup, they are busy with jobs that have a rugby world cup theme. RWCB had one outstanding job (job CL024) from August 2015, clocks with flags, which had not yet been completed. A total cost of R123 342 had been charged to this job. RWCB charges all the variable overhead costs directly to the job concerned but allocates the fixed overhead costs at 20% of the **prime cost** for the month. All the over or under recoveries of overheads are written off in the month they are incurred.

In September, three new jobs were commissioned but only two were completed. At the end of September following costs had been charged to the respective jobs during September:

Job Num.	Description	Material R	Labour R	Variable O/h R
CL024	Clock with flag	23 427	12 663	1 350
BO106	Boots with ball	85 632	45 448	3 704
JE223	National jerseys	125 625	65 610	10 518
CA421	National caps	12 655	6 820	1 630

All the jobs except job CA421 were completed by the end of September and were transferred to finished goods.

REQUIRED:

- 1.1) Calculate the prime cost for each of the four jobs for September. **(4)**
- 1.2) Calculate the fixed overheads for each of the four jobs for September. **(4)**
- 1.3) Calculate the total cost for each of the four jobs for September. **(4)**
- 1.4) Complete and balance the *Manufacturing Overhead Control* account if the actual total overheads for September was R90 000. **(3)**

QUESTION 2**(26 marks)**

Ball 'n All Ltd manufactures rugby balls in a continuous process. The process commences with the plastic (material 1) being melted and injection molded into the two halves of the ball. The two halves are then given time to set before the valve (material 2) is introduced and set into the one half of the ball at 30% of the process. The inner half of the mold is then removed and the two halves of the ball are brought together after heating the edges. The seams are then checked in an x-ray machine before the balls are printed and packaged (material 3) for delivery at 90% of the process. Opening work in process at the beginning of the month was at 50% completion and closing work-in-process at the end of the month was at 25% completion.

Ball 'n All Ltd supplied you with the following information set up by the previous cost accountant:

Step 1**Unit Flow**

Opening WIP	4 500
Units started	20 000
Units worked	24 500
Less: Closing WIP	(6 500)
Completed and transferred	18 000

<u>Step 2 Equivalent units</u>	<u>Total</u>	<u>Material 1</u>	<u>Material 2</u>	<u>Material 3</u>	<u>Conv. cost</u>
Opening WIP @ 50%	4 500	0	0	4 500	2 250
Started and completed	13 500	13 500	13 500	13 500	13 500
Completed and transferred	18 000				
Closing WIP @ 25%	6 500	6 500	0	0	1 625
U worked / Equivalent units	68 875	20 000	13 500	18 000	17 375

<u>Step 3 Cost statement</u>	<u>Total</u>	<u>Material 1</u>	<u>Material 2</u>	<u>Material 3</u>	<u>Conv. cost</u>
Opening WIP balance b/f	R31 750	R13 100	R9 900	0	R 8 750
Current month costs	R156 250	R80 000	R24 300	R45 000	R 6 950
	R188 000	R93 100	R34 200	R45 000	R15 700

REQUIRED:

- 2.1 Using the FIFO method of accounting for inventories, complete step 4 – *Cost per equivalent units* – of the 5-step process cost reports. (7)
- 2.2 Using the FIFO method of accounting for inventories, complete step 5 – *Production cost statement* – of the 5-step process cost reports. (6)
- 2.3 Using the Weighted Average Method of accounting for inventories, complete step 4 – *Cost per equivalent units* – of the 5-step process cost reports.
(Hint: Completed and transferred is 18 000units. Equivalent units = Completed and transferred plus closing WIP units) (6)
- 2.4 Using the Weighted Average Method (WAM) of accounting for inventories, complete step 5 – *Production cost statement* – of the 5-step process cost reports. (3)
- 2.5 Ball and All Ltd use 20% of all their products as commemorative gifts. These units are then sent through to a second department where the balls are printed with famous signatures and then mounted on a commemorative wood block. Use your answer in question 2.4 above to calculate the quantity and value of finished product to be transferred to finished goods and the quantity and value of product to be transferred to department 2. (4)

QUESTION 3**(17 marks)**

The following information was obtained from the books of Wending Products Ltd:

- The positive cash balance at 1st August is R9 000.
- Sales:

In the following table, June and July information are actual sales amounts and August and September are forecast sales amounts:

	Actual		Forecast	
	June R	July R	August R	September R
Cash sales	4 610	6 500	5 250	7 400
Credit sales	10 000	20 000	30 000	40 000
Total	14 610	26 500	35 250	47 400

Credit sales are collected over a *three month* period as follows:

- 10% in the month of sale,
 - 70% in the first month following sale,
 - 18% in the 2nd month following sale,
 - 2% is written off as a bad debt.
- Purchases are as follows:

	July R	August R	September R
Cash Purchases	3 000	4 000	5 000
Credit Purchases	12 000	16 000	20 000
Total	15 000	20 000	25 000

Credit purchases are paid in full in the month after purchase.

- Selling and Administration expenses are budgeted at R13 000 per month. 30% of this amount is depreciation.
- Equipment Costing R18 000 will be purchased for cash during September and will be paid off in six equal instalments. The first R3 000 will be paid during the month of September.

- Other Expenses
 - Wages amount to R6 000 per month.
 - Overheads will be R2 540 for August and R2 150 for September.
 - Other income consist of interest receivable at 12% per annum on a fixed deposit of R100 000 and rental received of R 4 000 per month. The interest is received annually on 1 August.

REQUIRED:

- 3.1 Prepare the cash budget for August. (11)
- 3.2 Prepare a schedule showing the cash receipts for September. (6)

QUESTION 4**(26 marks)****PART A****(18 Marks)**

The Roberts Company manufactures home cleaning products.

One of the products, Quickclean, requires 2 kg of Material A and 5 kg of Material B per unit manufactured. Material A can be purchased from the supplier for R5.30 per kg and Material B can be purchased for R4.50 per kg.

The finished goods inventory on hand at the end of each month, therefore closing inventory, must be equal to 4 000 units plus 25% of the next month's sales.

The raw materials inventory on hand at the end of each month, therefore closing inventory, for both Material A and Material B, must be equal to 80% of the following month's production needs.

Expected sales in June are 14 000 units and expected sales in July are 18 000 units. The Roberts Company sells Quickclean at R70 per unit.

REQUIRED:

- 4.A.1 Prepare a sales budget for the Roberts company for the product Quickclean for June. **(2)**
- 4.A.2 Prepare a production budget to calculate the number of units to be produced in June. **(4)**
- 4.A.3 Assume that 16 000 units are produced in June and 18 000 are produced in July. Prepare a purchase budget to calculate the quantity in kg and the value of **material A** to be purchased during June **(6)**
- 4.A.4 Assume that 16 000 units are produced in June and 18 000 are produced in July. Prepare a purchase budget to calculate the quantity in kg and the value of **material B** purchased during June. **(6)**

PART B

(8 Marks)

The Panza Company makes and sells only one product called a Deb. The company is in the process of preparing its *Selling and Administrative Expense Budget* for next year. The following budget data are available:

	Monthly fixed cost	Variable cost per Deb sold
Sales commissions		R0.75
Delivery of sales		R1.30
Advertising	R30 000	R0.20
Executive salaries	R25 000	
Depreciation on office equipment	R15 000	
Other admin expenses	R7 000	

All of these expenses are paid in cash in the month they are incurred.

REQUIRED:

- 4.B.1 Assume the company has budgeted to sell 18 000 Debs in January. Calculate the total budgeted variable selling and administrative expenses for January. **(3)**
- 4.B.2 Assume the company has budgeted to sell 16 000 Debs in February. Calculate the total budgeted fixed selling and administrative expenses for February. **(2)**
- 4.B.3 Assume the company has budgeted to sell 20 000 Debs in March. Prepare the selling and administration budget for March. **(3)**

QUESTION 5**(16 marks)**

Codek Manufacturing Ltd manufactures desks for local schools. Manufacturing takes place on demand, and no opening or closing inventory is held. All desks are identical and use the same resources. Codek Manufacturing Ltd set the following fixed budgets for specific quantities of production per month for comparison with their actual July sales which are also shown in the table below.

		Budgeted	Budgeted	July Actual
		20 000	30 000	28 000
Sales units				
Sales Value	Variable	R 2 400 000	R 3 600 000	R 3 000 000
Cost of Sales		R 1 005 000	R 1 485 000	R 1 350 000
Material	Variable	R 500 000	R 750 000	R 670 000
Labour	Variable	R 300 000	R 450 000	R 430 000
Manufacturing overheads	Semi-variable	R 205 000	R 285 000	R 250 000
Gross Profit		R 1 395 000	R 2 115 000	R 1 650 000
Less Expenses		R 693 000	R 913 000	R 895 000
<u>Selling expenses</u>				
Royalties	Variable	R 100 000	R 150 000	R 140 000
Advertising	Fixed	R 45 000	R 45 000	R 45 000
Other	Semi-variable	R 48 000	R 68 000	R 60 000
<u>Admin expenses</u>				
Variable with sales	Variable	R 300 000	R 450 000	R 450 000
Fixed	Fixed	R 200 000	R 200 000	R 200 000
Profit		R 702 000	R 1 202 000	R 755 000

Codek has approached you to assist them in analyzing the months' activities. All the variable amounts are directly variable with the sales quantity. No opening or closing inventories are held. Semi-variable costs must be analysed using the high-low method.

Required

- 5.1 Draft a flexed budget in the same format as above for the month of July clearly identifying what the budgeted income and expenses would have been at the actual level of operations. **(10)**
- 5.2 Calculate the variances between the flexed budget and the actual operations during the month of July for ONLY the following items namely material, labour and overheads. Show if the variance is *adverse* or *favorable*. **(6)**

[100 MARKS]