



Department of Commercial Accounting

Cost and Financial Management 2B

CFM22B2 / CFM2BB2

LAST ASSESSMENT OPPORTUNITY NOVEMBER 2015

Time: 180 minutes

Marks: 100

Assessors: Mrs J West Mrs M Vermaak
 Mr RJ Rhodes Mr T Sethibe

Moderator: Mr D Du Plessis (Internal)

INSTRUCTIONS:

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

Question	Topic	Marks	Time
1	Job costing	20	36 Minutes
2	Process costing	9	17 Minutes
3	Process costing	14	25 Minutes
4	Process costing	17	30 Minutes
5	Joint and by-products	20	36 Minutes
6	Direct and Absorption costing	<u>20</u>	<u>36 Minutes</u>
		100	<u>180 Minutes</u>

QUESTION 1**20 Marks**

Kruger Park Caterers supply catering services to the various conference centers in the Kruger National Park. Each conference is seen as a separate job with its own variable costs and a portion of fixed costs based on the prime cost of each job.

During the first week of November, Kruger Park Caterers had the following jobs and expenses:

Job number	Direct Material	Number of waitrons used	Applied variable manufacturing overheads
Skukuza	R 8 200	40	R6 800
Pretorius	R15 600	60	R12 900
Orpen	R19 200	70	R17 600
Sabie	R3 400	10	R5 200

Kruger Park Caterers charge all waitrons at R150 per day. The owners of Kruger Park Caterers has requested your assistance to complete the costing of the jobs while their current cost accountant is on holiday.

After investigation you found the following information:

Actual data		Budgeted data	
Total overhead cost for November week 1	R75 000	Monthly fixed overhead cost	R25 200
		Material cost	R44 000
		Labour cost	R26 000

At the beginning of week 1, Job Skukuza had an opening balance of work in process (WIP) of R7 200.

Required

1.1	Calculate the fixed manufacturing overhead recovery rate.	(2)
1.2	Calculate the applied fixed manufacturing overhead cost PER JOB and in TOTAL.	(8)
1.3	Prepare a Job cost card for Job Skukuza.	(4)
1.4	Prepare the manufacturing overhead control account and balance the account off to the cost of sales account	(6)

QUESTION 2**9 MARKS**

Seamless Ltd manufactures high quality plastic pipes that goes through three different processes.

The following information is available for the first department:

Plastic pellets are added at the beginning of the process and the colouring when the process is 40% complete. At the beginning of October 2015 we had 70 000 pipes in production, (80% completed). During the month 210 000 pipes were introduced in production. We transferred 250 000 pipes to the second department during this month. There are no losses in this process. At the end of October work in process was at 45% of the process.

Conversion cost is incurred evenly during the process.

Required

2.1	Prepare the timeline for the first department clearly showing the flow of units and the material that was added during the process.	(4)
2.2	Prepare the flow of units (Step 1).	(2)
2.3	Prepare the schedule of equivalent units (step 2) if Seamless Ltd makes use of WAM for inventory valuation.	(3)

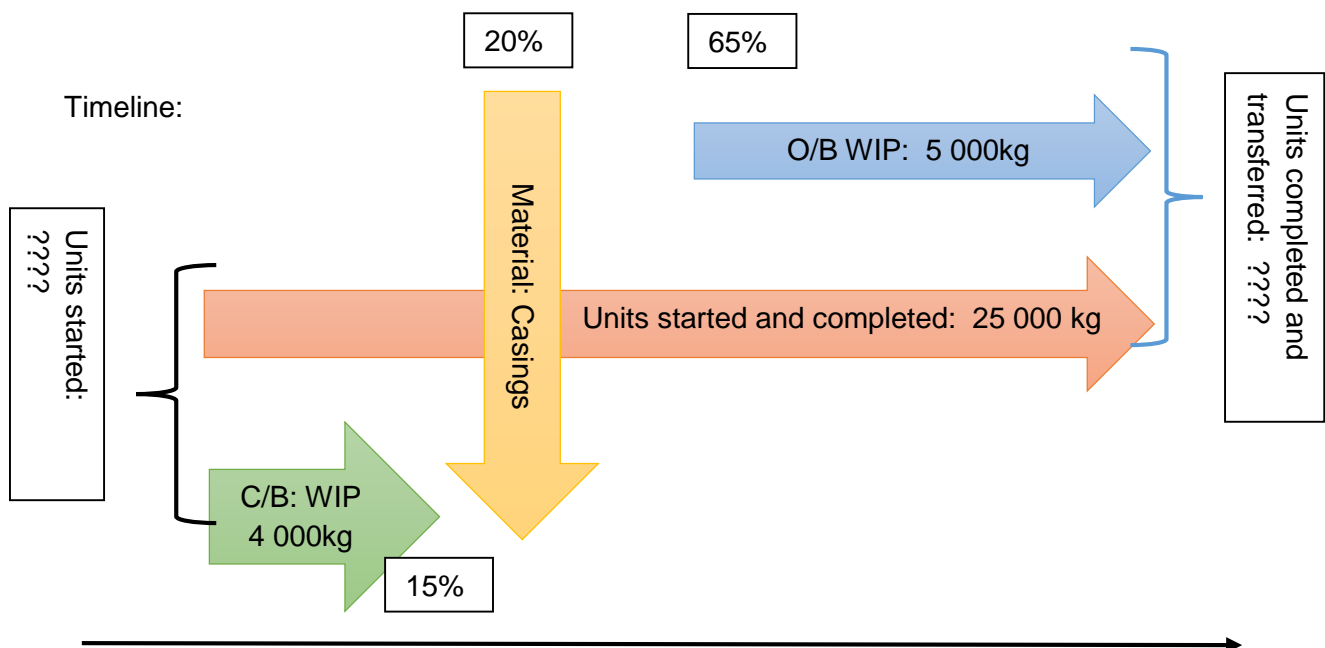
QUESTION 3**14 MARKS**

Mr Tasty produces sausages in three production departments: Mixing-, Casing & curing- and Packaging departments. In the mixing department meat is added at the beginning of the process. The meat is then minced and spices are added to the process when the process is 75% completed.

The spiced meat mixture is then **transferred** to the casing & curing department. The meat is then force-fed into casing (at 20% of the process) and then hung and cured in a climate controlled smoking chamber.

The smoked sausages are then transferred to the packaging department. In the packaging department the cured sausages are sorted and packed in packs of 1 kilogram. The company makes use of the FIFO method of inventory valuation. Conversion cost is incurred evenly throughout the process. There are no losses that occur in the process.

The following unit information is available for the Casing & Curing department for October 2015:



The costs for the Casing & curing department for October are as follow:

Step 3: Cost flow:

	Total Cost	Mixing department	Casings	Conversion
O/B: WIP	R25 148	R16 250	R1 650	R7 248
Current cost	R164 594	R94 830	R8 500	R61 264

Step 4: Cost per equivalent unit:

	Total Cost	Mixing department	Casings	Conversion
Cost per equivalent unit	R5.85	R3.27	R0.34	R2.24

Required

3.1	Prepare the flow of units (step 1).	(3)
3.2	Prepare step 2 : Equivalent units	(4)
3.3	Prepare the cost and production statement (step 5).	(7)

QUESTION 4**17 MARKS**

GoldAir manufacture gas heaters in a continuous process. Steel is added at the beginning of the process and the heat panels & grid is added when the process is 30% complete. The gas fittings are added when the process is 60% complete. Conversion cost is incurred evenly throughout the process.

GoldAir has an inspection point when the process is 55% completed. A loss of 8% of units that pass the inspection point is accepted as normal losses.

The follow unit information is available:

Opening: Work in process	5 900	70% converted
Unit started	50 000	
Closing: Work in process	5 000	35% converted
Completed and transferred	46 780	

GoldAir uses the FIFO method for inventory valuation.

Required

4.1	Draw the timeline to clearly show the unit flow, material input and also indicate the point where the normal loss occur	(5)
4.2	Calculate the normal and abnormal loss. (Show your calculations)	(2)
4.3	Prepare step 1: The flow of units.	(2)
4.4	Prepare step 2: Equivalent units.	(8)

QUESTION 5**20 MARKS**

Springbok Timber is a sawmill company that produces **Graded structural timber** and **Laminated beams**. Springbok receives the logs from the nearby pine plantations. The logs are then debarked and cut to suitable lengths. The bark and sawdust is the by-product and will be sold to a local garden service. Springbok has joint processing costs of R 1 000 000. The graded structural timber can be sold at split-off point while the laminated beams need further processing.

The following information for the past year has been provided:

Products	Total Separable cost	Selling price per unit	Units produced	Opening inventory	Closing inventory
Graded structural timber		R50.00	3 125	150	800
Laminated beams.	R 103 125	R200.00	9 375	200	1 500
Bark and sawdust		R2.50	1 000		

Required

5.1	Allocate the joint costs in total and per unit by using the :	
	(a) Physical unit method	(5)
	(b) Market value at split-off point	(8)
5.2	Calculate the gross profit and gross profit percentage if the market value at split –off point is used to allocate joint costs for the product Graded structural timber only.	(7)

QUESTION 6**20 MARKS**

Sonny Limited manufactures a single product that is sold to retailers at R40 per unit. Fixed manufacturing overheads are allocated as a percentage of direct material cost. The budgeted fixed manufacturing overheads amount to R75 000 and are based on a budgeted direct material cost of R50 000.

The total actual production and other costs for 2014 are as follows:

Direct material	R 44 800
Direct labour	R 90 400
Variable manufacturing overheads	R 31 200
Variable selling and admin cost	R 1 500
Fixed marketing cost	R 30 000
Fixed manufacturing overheads	R 70 000
Fixed manufacturing overhead recovery rate	150% of direct material cost

Sonny Limited produced 8 000 units in 2014. There were 3 000 units in opening inventory and 10 000 units were sold. Production was 20% more in 2015 than in 2014 and there were 1300 units in closing inventory. Direct material, direct labour and variable manufacturing costs increased by 10% in 2015. Fixed marketing cost increased by 5% in 2015. The actual fixed manufacturing overhead cost for 2015 amounted to R85 000.

Required

6.1	Determine the flow of units for 2014 and 2015.	(2)
6.2	Calculate the unit cost using the absorption costing method for 2014 and 2015.	(4)
6.3	Compile the Statement of Comprehensive income for 2015 if we use the direct costing methods.	(9)
6.4	The net income for the Statement of Comprehensive income using the absorption costing method is R34 458. Reconcile the difference in profit (if any) between the two methods for 2015.	(5)