



UNIVERSITY
OF
JOHANNESBURG

Department of Commercial Accounting

Costing and Estimating 1

BKM11A1/FPP11A1

FIRST ASSESSMENT OPPORTUNITY

June 2014

Time: 120 minutes

Marks 100

Assessors: Mrs R. Benedict, Mrs P Ramutumbu

Moderator: Mr R Rhodes (Internal)

INSTRUCTIONS:

- This paper consists of 6 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 Cost and Management Accounting	10	12 minutes
2	Material	25	30 minutes
3	Labour	23	28 minutes
4	Manufacturing overheads	15	18 minutes
5	Cost Volume Profit Analysis	27	32 minutes
		100	120 minutes

[Signature]
14/4/2014

UNIVERSITY OF JOHANNESBURG – SOWETO CAMPUS
SUBMISSION OF LAST ASSESSMENT PAPER

DEPARTMENT: COMMERCIAL ACCOUNTING

NAME OF LECTURER: MRS RAMUTUMBU

TELEPHONE NUMBER: Ext 5125 (W) CELL: 083 651 8273

COURSE AND SUBJECT NAME: COSTING & ESTIMATING

SUBJECT CODE: BKM11A1/FPP11A1 DATE OF PAPER: 9 JUNE 2014

ASSESSMENT PERIOD: JUNE 2014

Please indicate the number of answer books required per student and also whether each question should be written in a new book etc.

- Number of answer books per student: 2

IMPORTANT INSTRUCTIONS FOR INVIGILATORS:

- Question(s) per book: Q1 - 5 in one book

(eg. Question 1 & 2 in one book or each question in a new book)

Open book exam:

Y

☒ N

Back-to-back:

☒ Y

N

English from the front, Afrikaans from the back:

Y

☒ N

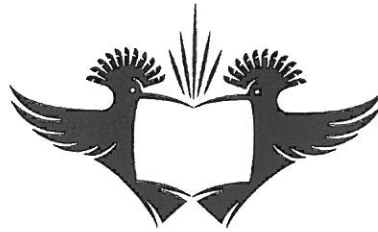
If any additional material for instance computer answering sheets, graphic paper, answer sheets etc. will be required during the assessment, please indicate below:

Nil

2. Number of assessment papers required: 30
(NB. - CORRECT NUMBERS PLEASE)

SIGNATURE OF LECTURER: 

DATE: 15/04/2014



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QUESTION 1

(10 marks)

1.1 Classify the following items as either product or period costs **(5)**

- 1.1.1 Marketing costs.
- 1.1.2 Cleaning materials used by production.
- 1.1.3 Lease payments on vehicles that are used by production.
- 1.1.4 Depreciation of a vehicle that is used by the production manager.
- 1.1.5 The sales manager's salary.

1.2 Classify the following items as either fixed or variable costs **(5)**

- 1.2.1 The salary of a supervisor.
- 1.2.2 Electronic components in a computer assembling plant.
- 1.2.3 Carton boxes as packaging material for computer games.
- 1.2.4 Wages of the production personnel in a factory.
- 1.2.5 Lease payments on machinery.

QUESTION 2

(25 marks)

Zero Tolerance security services has inventory of security alarms in their warehouse. The following transactions took place during the month of May:

- 1 May Inventory on hand 25 units at R114.00 and 68 units at R216.00
- 2 May Issued 40 units
- 11 May Purchased 80 units at a total cost of R8 000
- 19 May Returned 15 units to the supplier (purchased 11 May)
- 30 May Purchased 100 units at R180

Required:

Determine the value of closing inventory on the 30th of May. Present your answer in the format of an inventory ledger card. Use the following format:

Date	Receipts			Issues			Balance		
	Units	Unit price	Value	Units	Unit price	Value	Units	Unit price	Value

2.1 The value of closing inventory using the First in First Out (FIFO) method. **(15)**

2.2 Zero Tolerance security services decided to change from a First in First Out (FIFO) system to a Weighted Average Method (WAM) system. The cost of the opening inventory must first be converted to a weighted average cost. Thereafter determine the value of the closing inventory using the weighted average method. **(10)**

QUESTION 3

(23 marks)

The following information applies to Mr Entrepreneur, an employee at a Small Business Enterprise. He is paid on a weekly basis. A normal working week is 50 hours. Overtime on weekdays is paid at 1.5 times the normal rate and double the normal rate on Sundays.

Normal wage rate per hour R180

Deductions:

Pension fund

Employee's contribution:	7.5%
Employer's contribution:	7.5%

Medical aid contribution

Employee's contribution:	R460
Employer's contribution:	R260

PAYE deduction: 23% of taxable income

UIF

Employee's contribution:	1% of normal wage
Employer's contribution:	1% of normal wage

Mr Entrepreneur worked the following hours for the past week

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
8 hours	8 hours	8 hours	10 hours	8 hours	5 hours	3 hours

Required:

3.1 Calculate Mr Entrepreneurs net wages for the week ended 30 May 2014. (17)

3.2 Calculate the employers cost to company for the week ended 30 May 2014 (6)

QUESTION 4

(15 marks)

The following schedule of budgeted costs is applicable

	R
Factory building : Rent	80 100
Electricity	11 475
Factory equipment	11 700
Other factory expenses: Protective clothing	4 200
Canteen subsidy	6 500
Indirect material : Department A	371
Department B	9 166
Service Department	133

The allocation of overheads is based on the following:

Basis	Department A	Department B	Service Department
Number of employees	22	53	14
Floor space	350m ²	375m ²	225m ²
Value of equipment	R40 000	R30 000	R16 000

Required:

Calculate the primary allocation of overheads.

(15)

Question 5

(25 marks)

PART 1

WD Elements Ltd.'s statement of comprehensive income for last year appears below:

Sales		R1 500 000
Cost of sales:		
Direct materials	R250 000	
Direct labour	150 000	
Variable overhead	75 000	
Fixed overhead	<u>100 000</u>	<u>575 000</u>
Gross profit		925 000
Selling, general, and administrative costs:		
Variable	200 000	
Fixed	<u>250 000</u>	<u>450 000</u>
Net operating income		<u>R 475 000</u>

Required:

5.1 Prepare the income statement in Marginal income costing system format **(10)**

PART 2

The following information is made available to you.

Total sales value	R750 000
Total units sold	15 000
Break even units	10 000
Break even value	R500 000
Total cost	R600 000
Total fixed cost	R300 000

Required:

5.2 Calculate the following

- 5.2.1 Margin of safety in units **(2)**
- 5.2.3 Margin of safety in rands **(2)**
- 5.2.3 Total variable costs **(2)**
- 5.2.4 Draw the Cost Volume profit graph using all the above information **(11)**