



UNIVERSITY
OF
JOHANNESBURG

Department of Commercial Accounting

FINANCIAL PRINCIPLES IN PRODUCTION (Module A)
FPP 11A1

FIRST ASSESSMENT OPPORTUNITY

1 June 2016

Time: 120 minutes

Marks 100

Assessors: Mrs R Benedict, Mr E Kodisang and Mr V Shandu

Moderator: Mr R Rhodes (Internal)

INSTRUCTIONS:

- This paper consists of 4 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	12	16 minutes
2	Material	28	28 minutes
3	Labour	18	23 minutes
4	Manufacturing overheads	22	25 minutes
5	Cost volume profit analysis (CVP)	20	28 minutes
		100	120 minutes

QUESTION 1**(12 marks)**

Explain the differences between financial and management accounting (12)

QUESTION 2**(28 marks)**

The following transactions were concluded in respect of a particular inventory item by a business called Matanasa traders for the month of January 2016.

Date	Details	Number of units	Price per unit
1 Jan	Inventory on hand	800	R5
12 Jan	Issued	300	
17 Jan	Issued	250	
20 Jan	Received	400	R6
23 Jan	Issued	350	
28 Jan	Issued	200	
31 Jan	Returned (inventory received on 20 th)	50	

REQUIRED:

Calculate the value of closing inventory on 31 January 2016 using the following methods:

2.1 First in first out method (FIFO). (15)

2.2 Weighted average method (WAM). (13)

NB: Use the following format for both your answers.

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

QUESTION 3**(18 marks)**

The following information was extracted from the wage records of LBV Services for a general worker.

1. The employees work 6 days at 8 hours per day.
2. The employees all take a compulsory 4 weeks holiday leave per year.
3. There are 12 public holidays that fall within the working week.
4. Idle time is calculated at 10%.
5. Gross yearly salary is R37 800.
6. A holiday bonus of R5 600 is given to employees by the company; and
7. The employer's contributions amount to R4 800 per year.

REQUIRED:

Calculate the hourly recovery labour recovery rate for a general worker.

QUESTION 4**(22 marks)**

Statter and scatter is a manufacturer of steel products. The products are manufactured in two departments and the company uses an activity based costing system to allocate their manufacturing overheads. The following was obtained from the company on 31st March 2016. Allocation of manufacturing overhead costs is based on the following:

Basis	Production Department 1	Production Department 2	Service Department
Floor area	200m ²	250m ²	150m ²
Value of equipment	10 000	25 000	5 000
Kilowatts hours	1 400	1 200	400
Machine hours	400	600	250
Number of employees	12	16	8

The schedule of budgeted manufacturing overhead costs is as follows:

Depreciation	10 000
Rent expense	18 000
Electricity	14 400
Protective clothing	10 800
Indirect material	
Production department 1	12 000
Production department 1	15 000
Service department	9 500

The secondary allocation is done according to machine hours.

REQUIRED:

Draw a table to calculate the primary- and the secondary- allocation of overhead costs.

QUESTION 5**(20 marks)**

Wonderful Coffee (WC) Ltd produces and sells cakes for special occasions. The following information is for the month ending 30th April 2016.

Selling price per cake	R150
Variable costs per units:	
Flour	R10
Egg	R2.5
Baking powder	R6.5
Packaging material	R5
Other variables cost	R16
The Baker is paid at	R50 per hour

Fixed costs:

Manufacturing overheads	R500
Administration and selling expenses	R450
Other fixed cost	R250
Sales for the month amount to	50 cakes.

REQUIRED:**5.1 Determine the following for Wonderful Coffee Ltd (WC) Ltd:**

- 5.1.1 Marginal income per units and Ratio; (3)
- 5.1.2 Breakeven point in units and Rand; (3)
- 5.1.3 Margin of safety in units; Rand and Ratio (6)
- 5.1.4 Based on the above calculations, prepare a fully labelled break-even chart (8)