UNIVERSITY OF JOHANNESBURG

Department of Commercial Accounting

FINANCIAL PRINCIPLES IN PRODUCTION (Module A)
FPP 11A1

FIRST ASSESSMENT OPPORTUNITY

26th May 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 5 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	14	16 minutes
2	Material	24	28 minutes
3	Labour	18	23 minutes
4	Manufacturing overheads	20	25 minutes
5	Cost Volume Profit Analysis	24	28 minutes
		100	**120 minutes**

QUESTION 1 (14 marks)

Explain the differences between financial and management accounting. (14)

QUESTION 2 (24 marks)

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

The table below shows the inventory on hand

Date	Description	Units	Unit price	Total price
1 May	On hand	25	R114.00	
	On hand	68	R216.00	
2 May	Issued	40		
11 May	Purchased	80		R8 000
19 May	Goods returned to the supplier that were purchased on the 11th May	15		
30 May	Purchased	100	R 220.00	

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. (14)

2.2 Zero Tolerance security services has decided to change from a FIFO system to a 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 (18 marks)

Mduduzi is a qualified plumber. His normal working hours are Monday to Friday (8hrs per day) and 5 hours on a Saturday. All normal hours must be worked before overtime hours are paid. His clock card and personal record show the following information in respect of the week ending 31th April 2015:

Day	Hours worked
Monday	8
Tuesday	8
Wednesday	11
Thursday	8
Friday	9
Saturday	5
Sunday	5

Mduduzi receives a housing allowance of R700 per week. His normal hourly rate is R45 per hour. Overtime is paid at 1½ times the normal rate, except for Sundays and public holidays, when it is paid at double the normal rate. There were no public holidays during the week ending 31st April 2015. His deductions or contributions are as follows:

Pension fund contribution	7%
Medical aid contribution	R250 per week
PAYE deduction	27% of taxable income
UIF	1%

Required:

Calculate Mduduzi's net earnings for the week ended 31 April 2015.

QUESTION 4 (20 marks)

The following schedule of budgeted costs is applicable

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

The allocation of overheads is based on the following:

Basis	**Department A**	**Department B**	**Service Department**
Number of employees	22	53	14
Floor space	530m²	735m²	522m²
Value of equipment	R44 000	R33 000	R66 000

Required:

Draw a table to calculate the primary allocation of overheads. **(20)**

QUESTION 5 **(24 marks)**

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	100 000	575 000
Gross profit		925 000
Selling, general, and administrative costs:		
Variable	200 000	
Fixed	250 000	450 000
Net operating income		R 475 000

Required:

5.1 Prepare the marginal costing income statement. **(9)**

Question 5.2

The following information is made available to you.

Total sales value	R 750 000
Total units sold	R 15 000
Break even units	R 10 000
Break even value	R 500 000
Total cost	R 600 000
Total fixed cost	R 300 000

Required:

5.2 Calculate the following

5.2.1 Margin of safety in units (2)
5.2.2 Margin of safety in rands (2)
5.2.3 Total variable costs (2)
5.2.4 Draw the Cost Volume profit graph. Include all the above information. (9)