



UNIVERSITY
OF
JOHANNESBURG

Department of Commercial Accounting
Applied Accounting Skills 1B
AAS11B1

Final Assessment Opportunity

21 November 2016

Time: 2 hours

Marks: 70

Assessors: Dr Nisi Thusi
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Moderators: Mrs I Baigrie (internal)

INSTRUCTIONS:

- This paper consists of 7 pages (including the cover page).
- Answer all questions **in INK** on the answer sheet provided.
- Show all calculations and workings clearly.
- Silent, non-programmable calculators may be used.
- Where applicable, round all calculations to the nearest Rand, unless stipulated otherwise.

Question	Topic	Marks	Time
1	Theory	9	15 minutes
2	Inventory recording	11	19 minutes
3	Remuneration recording and control	11	19 minutes
4	Overhead classification and Hi-Low	10	17 minutes
5	Flexible Budgeting	15	26 minutes
6	Manufacturing Cost Statement	14	24 minutes
		70	120 minutes

QUESTION 1**(9 MARKS)**

For each of the costs below, indicate if they are direct materials, direct labour, manufacturing overheads or non-manufacturing overheads. Also indicate if the cost is a fixed cost or a variable cost.

	Direct Material	Direct Labour	Manufac- -turing Overhead	Non- Manufac- -turing Overhead		Fixed Cost	Variable Cost
Example: Bricks used in building	X						X
Monthly rent paid for factory premises							
Sales commission paid to sales personnel.							
Machinist's weekly wages							
Wood used to manufacture furniture							
Factory supervisor's salary							
Annual audit fees							
Factory electricity used							
Monthly lease of factory machinery							
Screws and glue used in furniture							

[9]

QUESTION 2**(11 MARKS)**

Boitumelo Manufacturers uses the perpetual inventory system to record their raw material transactions. On 1 July 2016 they had no opening balance of product RM001. During July 2016 they had the following transactions in relation to product RM001:

Receipts	11 July	48 boxes of (RM001) @ R660 per box
	18 July	40 boxes of (RM001) @ R700 per box
Issued to production	12 July	28 boxes of (RM001)
	19 July	24 boxes of (RM001)

REQUIRED

Calculate the following:

- 2.1 Calculate the value of the closing inventory of product RM001 on 31 July 2016 using the first-in-first-out (FIFO) method of inventory valuation. (3)
- 2.2 Calculate the value of the inventory of product RM001 issued to production during the month of July 2016 using the first-in-first-out (FIFO) method of inventory valuation. (3)
- 2.3 Calculate the value of the closing inventory of product RM001 on 31 July 2016 using the weighted average (WAM) method of inventory valuation. (3)
- 2.2 Calculate the value of the inventory of product RM001 issued to production during the month of July 2016 using the weighted average (WAM) method of inventory valuation. (2)

[11]

QUESTION 3**(11 MARKS)**

Lesego Mogase is a fitter and turner in a manufacturing company. Lesego is remunerated at R120 per hour and his normal working hours are 45 hours per week. The following information relates to his medical aid and pension fund contributions and other deductions:

- Medical aid: 7.5% of normal weekly wage
- Pension fund: 6.25% of gross remuneration per week
- PAYE is paid at 28% of taxable income
- Lesego contributes 1% of normal wages per week to UIF

Lesego worked the following hours for the week ending 28 August 2016:

Monday 22/08/2016	9½ hours
Tuesday 23/08/2016	9 hours
Wednesday 24/08/2016	8 hours
Thursday 25/08/2016	10 hours
Friday 26/08/2016	11½ hours
Saturday 27/08/2016	3 hours
Sunday 28/08/2016	5 hours

Overtime is remunerated as follows:

- Normal overtime: 1½ times the normal hourly rate.
- Sundays and public holidays: 2 times the normal hourly rate.

REQUIRED

- 3.1 Calculate Lesego Mogase's gross income for the week ending 28 August 2016. (5)
- 3.2 Prepare Lesego Mogase's weekly wage sheet for the week ending 28 August 2016, showing all the income and deductions as well as the net pay for the week. (6)

[11]

QUESTION 4**(10 MARKS)**

The following information was extracted from the cost records of Ncube Manufacturers for the five month period from June to October 2016:

Month	Production/Activity (in units)	Costs (Rand)
June	33 750	42 000
July	43 800	54 060
August	45 500	56 100
September	44 000	54 300
October	38 200	47 340

REQUIRED

Use the high/low method to calculate the following costs from the information provided:

- 4.1 Variable cost per unit. (2)
- 4.2 Total fixed costs for October 2016. (2)
- 4.3 Total variable cost at the highest level of productive activity. (2)
- 4.4 Total variable cost at the lowest level of productive activity. (2)
- 4.5 Total costs to produce 32 300 units. (2)

[10]

QUESTION 5**(15 MARKS)**

The fixed budget information below for September 2016 was taken from the management reports of Nico Maritz Manufacturers:

	750 units
Direct material	R7 500
Indirect material	R2 250
Direct labour	R20 000
Indirect labour	R6 000
Depreciation (fixed)	R4 100
Property rates and taxes (fixed)	R3 750
Electricity	R4 750
Factory variable overheads	R2 825
	R51 175

During September 2016, Nico Maritz Manufacturers produced **900 units** and incurred the following actual costs:

	900 units
Direct material	R9 000
Indirect material	R2 700
Direct labour	R24 000
Indirect labour	R7 200
Depreciation (fixed)	R4 100
Property rates and taxes (fixed)	R3 750
Electricity	R5 700
Factory variable overheads	R3 390
	R59 840

REQUIRED

- 5.1 Prepare the flexible budget for Nico Maritz Manufacturers for September 2016 at the 900 unit level of activity. (8)
- 5.2 Use the flexed budget that you have prepared to calculate the variances for each cost item for Nico Maritz Manufacturers for September 2016 at the 900 unit level of activity. (6)
- 5.3 Calculate the total variance for Nico Maritz Manufacturers for September 2016 at the 900 unit level of activity. (1)

[15]

QUESTION 6**(14 MARKS)**

Omega Manufacturers produced 52 units of product EZ22 during the month of June 2016. They have provided you with the following additional information in relation to **a single unit** of product EZ22 for the month of June 2016:

Direct materials	23 kilograms @ R140.90 per kilogram
Direct labour skilled	180 hours @ R75.00 per hour
Direct labour semi-skilled	45 hours @ R25.00 per hour
Variable manufacturing overheads	R 34 500
Variable non-manufacturing overheads	R12 000
Fixed manufacturing overheads:	R 102 000
Fixed selling costs	R 8 500
Fixed administration costs	R 4 300

REQUIRED

- 6.1 Calculate the total prime costs for the 52 units of product EZ22 manufactured during June 2016. (5)
- 6.2 Calculate the total conversion costs for the 52 units of product EZ22 manufactured during June 2016. (5)
- 6.3 Calculate the total manufacturing costs for the 52 units of product EZ22 manufactured during June 2016. (4)

[14]

TOTAL = 70 MARKS