



UNIVERSITY
OF
JOHANNESBURG

Department of Commercial Accounting

Costing and Estimating 1B

BKM11B1 and BKM1B00

FIRST ASSESSMENT OPPORTUNITY

21 November 2016

Time: 120 minutes

Marks 100

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

Moderator: Mrs R Rhodes (Internal)

INSTRUCTIONS:

- This paper consists of 7 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 Job and Process	05	10 minutes
2	Job Costing	20	25 minutes
3	Process Costing	20	25 minutes
4	Master Budgets	25	25 minutes
5	Cash Budgets	30	35 minutes
		100	120 minutes

QUESTION 1**(5 marks)**

Fill in the missing word/s. Give only the answers.

1.1 _____ and **1.2** _____ are referred to as prime costs.

1.3 _____ and **1.4** _____ are referred to as conversion costs.

1.5 _____ is used where a large number of homogenous products are manufactured in the same production process.

QUESTION 2**(20 marks)**

Eric and Rose (ER) is a company involved in repairing and servicing General Motors cars. Their operations are designed to cater for client specifications.

The following information is available in respect of March 2016:

1. Opening balance on 1 March 2016 : Job M R17 230
2. Direct materials were issued, during March, as follows:

a.	Job K	R 20 000
b.	Job L	R 17 200
c.	Job M	R 15 500

3. Direct labour costs incurred during the month:

a.	Job K	80 hours @ R240 per hour
b.	Job L	60 hours @ R320 per hour
c.	Job M	45 hours @ R420 per hour

4. Manufacturing overheads for the month:

a.	Job K	R 14 000
b.	Job L	R 11 200
c.	Job M	R 10 500

5. Job L and Job M were completed during the month. Selling expenses amounted to R6 500 per sale and invoiced to the clients at a selling price of R79 000 and R45 200, for job L and M respectively.

Required:

Prepare a job cost card for all jobs at the end of March 2016 and calculate the profit/loss on Job L and Job M. (20)

QUESTION 3**(20 marks)**

Baby First (BF) (Pty) Ltd manufactures children's toys using the following materials: **clay** and **plastic**, and the company makes use of a process costing system.

They use two materials to make the toy washing machine.

Clay gets added at the beginning of the process and the plastic when the process is 55% complete. Conversion costs are incurred evenly throughout the process.

The following cost and production details are available for July 2016.

Production:	
Opening WIP (45% complete)	5 600 Units
Closing WIP (45% complete)	6 600 Units
Completed and transferred	68 000 Units

Costs

Opening WIP	- Material	Clay	R 7 400
		Plastic	R 3 460
	- Conversion Costs		R 5 960
Current Costs	- Material	Clay	R 92 300
		Plastic	R 43 800
	- Conversion Costs		R 72 260

Required:**Using FIFO Method:**

Prepare the first four (4) steps of the Production and Cost Statement (20)
for July 2016, using the FIFO method, and round off to two (2) decimal
points

QUESTION 4**(25 marks)**

Quality Materials of South Africa (QMOSA) (Pty) Ltd specialises in manufacturing two products, namely Copper and Silver pipes. The management has presented you with the following budgeted information for the financial year ending on the 31st January 2017.

	Copper pipes	Silver pipes
Price per unit	R15	R12
Total sales value	R7 500 000	R5 700 000
Inventory on hand (units)		
Opening inventory	3 100	2 700
Closing inventory	1 250	1 000
Raw material required to manufacture copper and silver pipes:		
Steel @ R7 per kg	6 kg	7 kg
Zinc @ R9 per kg	4 kg	5 kg
Labour requirement	10 hours @ R14	8 hours @ R11
Budgeted manufacturing overhead	R580 000	R420 400

The projected data with respect of raw material is as follows:

	Steel	Zinc
Inventory on hand:		
Opening Inventory	27 300 kg	25 500 kg
Closing Inventory	19 100 kg	21 700 kg

Additional information:

The budgeted manufacturing overheads are applied using direct labour hours.

Required:

Prepare the following budgets for the year ending 31st January 2017:

- | | | |
|-----|--|------|
| 4.1 | The sales budget for both products. | (2) |
| 4.2 | The production budget for both products. | (4) |
| 4.3 | The material usage and purchases budget. | (11) |
| 4.4 | The direct labour budget for both products. | (4) |
| 4.5 | The manufacturing overhead budget for both products. | (4) |

QUESTION 5**(30 marks)**

The management of Angie Limited has decided to prepare a cash budget for March and April 2017.

The following forecasts are available for the two months ending April 2017:

	Total purchases	Total sales	Overhead costs	Wages
January Actual	R 70 000	R140 000	R 0	R 0
February Actual	R90 000	R150 000	R33 000	R27 000
March	R60 000	R190 000	R31 000	R30 000
April	R110 000	R185 000	R36 000	R34 000

Additional information:

- a) Purchases of materials on credit amounted to 55% of total purchases and 45% of total purchases are in cash. The suppliers are paid 50% in the month of purchases and 50% in the next month. If we pay in the month of purchases we receive a 7% discount;
- b) 40% of total sales is for cash and the remainder is credit sales;
- c) Debtors pay their accounts as follows:
 - a. 70% pay the month after sales and will receive a 7% discount,
 - b. 30% will pay two months after sales;
- d) Overhead expenses are paid in the same month that they occur;
- e) Wages are paid in the month that they occur;
- f) New equipment costing R53 000 is to be paid in March;
- g) During February an old machine which cost R41 000 three years ago, was sold for R11 000 cash. The money will be paid during March;
- h) The bank balance on 1st March 2017 is estimated to be R80 900.

Required:

Prepare the cash budget for March and April 2017.
Show all calculations.

(30)