



Department of Commercial Accounting

## Cost Accounting 2

CCZ2-2

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### SUPPLEMENTARY LAST ASSESSMENT OPPORTUNITY JANUARY 2018

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Time: 180 minutes

Marks: 100

Assessors: Mr D du Plessis

Moderator: Mr E Ghyoot

#### INSTRUCTIONS:

- This paper consists of 6 pages (including the cover page)
- Answer all questions. Show all formulae, calculations and workings clearly.
- Please start each question on a new page.
- Silent, non-programmable calculators may be used.
- Where applicable, round all calculations to **two decimal** places, unless stipulated otherwise.

Question		Topic		Marks		Time
1		Job Costing		20		36 Minutes
2		Process Costing		35		63 Minutes
3		Cash Budget		25		45 Minutes
4		Flexible Budget		20		36 Minutes
				100		180 Minutes

**QUESTION 1****20 Marks**

Creative Marketing CC provide various marketing strategies through innovative billboard designs. Each billboard's advertisement is unique and seen as a separate job with its own costs allocated to it. At the start of November, the Sunbucks Coffee Billboard already incurred R1 000 in costs. This was made of R500 direct material, R300 direct labour and R200 manufacturing overheads.

The total actual costs incurred for two separate billboards are as follows:

Job Name	Direct Material	Direct Labour	Manufacturing Overheads
Sunbucks Coffee	R3 500	R1 700	R1 800
Cup and Bean	R3 000	R1 800	R1 700

Both billboards were completed in November. The Sunbucks Coffee Billboard was charged to the client for R25 000, while the Cup and Bean Billboard was charged to the client for R20 000. The pre-determined overhead recovery rate is based on labour cost.

The budgeted figures for November were as follows:

Manufacturing Overheads	R3 800
Direct Material	R9 000
Direct Labour	R4 000

**REQUIRED:**

- 1.1 Calculate the pre-determined overhead recovery rate (POR) for Creative Marketing CC. **(2)**
- 1.2 Prepare a Job cost card for Job Cup and Bean. **(4)**
- 1.3 Prepare the work in process account for Job Sunbucks as well as the total manufacturing overhead control account. **(10)**
- 1.4 Calculate the total profit for Creative Marketing CC. **(4)**

**QUESTION 2****35 MARKS**

Lays Ltd is manufacturing chips. The chips are manufactured in two consecutive processes, the frying and packaging processes. Lays uses the first-in-first-out method of inventory valuation.

Potatoes are added at the beginning of the frying process. The potatoes are peeled and cut into chips. The chips are then fried until golden brown. Flavouring is added evenly from 60% to 80% of the frying process. The mixture is allowed to cool down. When the chips are cooled it is transferred to the packaging process. Conversion costs are incurred evenly throughout both processes. In the packaging process 1kg chip bags are added when the process is 50% complete. The chips are then distributed to customers.

The following unit and cost information is available for September 2017:

	<b>Frying Process</b>	<b>Packaging Process</b>
<b>Units</b>		
Opening work-in-process	5 000 kg	4 000 packets
Stage of completion	70%	25%
Units completed and transferred	30 000 kg	28 600 packets
Units started	???????	???????
Closing work-in-process	3 000 kg	5 400 packets
Stage of completion	35%	60%
<b>Costs</b>		
Opening work-in-process		
Frying process		R8 per kg
Potatoes	R15 000	
Conversion	R17 500	R2 000
Current Cost		
Potatoes	R55 800	

Flavouring	R30 750	
Chip Bags		R150 per bag
Frying process		R8.10 per kg
Conversion	R99 060	R6 804

**REQUIRED:**

2.1 Prepare following parts of the cost and production statement for the frying process.

2.1.1 Step 1: Timeline and flow of units (Clearly show all calculations) **(4)**

2.1.2 Step 2: Equivalent units **(5)**

2.2 Prepare the cost and production statement for the Packaging process.

(Hint: 5 Steps) **(26)**

**QUESTION 3****20 MARKS**

Dogs Ltd are distributors of dog food and prepares cash budgets on a monthly basis.

The following forecasts are available for the four months ending November 2017.

	Total Purchases	Total Sales	Overhead Costs
August	R 600 000	R 800 000	R 20 000
September	R 607 500	R 810 000	R 20 500
October	R 618 750	R 825 000	R 21 000
November	R 633 750	R 845 000	R 21 500

**Additional Information:**

- a) 40% of total sales consist of cash sales.
- b) Purchases on credit equals to 40%, the remaining 60% are cash purchases. The suppliers are paid 50% in the month of purchase and 50% in the next month. If we pay in the month of purchases, we receive a 10% discount.
- c) Debtors pay their account as follow:
  - 80% pay the month after sales and will receive 5% discount;
  - 20% will pay two months after sales.
- d) Overhead expenses are paid in the same month.
- e) Wages of R17 500 are paid each month.
- f) Depreciation is equal to R 12 000 per month (Depreciation is not included on the above overhead costs.)
- g) New equipment costing R 75 000 will be bought in October.
- h) During November an old machine which cost R 36 000 three years ago, is sold for R12 000 cash.
- i) The bank balance on 1 October 2017 is R 120 635.

**REQUIRED:**

- 3.1 Prepare the cash budget for October and November 2017.

**(25)**

**QUESTION 4****20 MARKS**

The information presented below is available for Beta Limited for the 2017 financial year:

Fixed budget (1 000 units):

Direct material	R15 000
Indirect material	R4 500
Direct labour	R40 000
Indirect labour	R12 000
Depreciation	R8 200
Property taxes	R750
Electricity	R9 500
Production overheads	R5 650

The following actual costs were incurred, during 2017, at a production level of 1 200 units:

Direct material	R21 300
Indirect material	R5 600
Direct labour	R53 750
Indirect labour	R15 200
Depreciation	R9 200
Property taxes	R820
Electricity	R11 200
Production overheads	R7 400

All costs, excluding depreciation and property taxes, are variable in nature. The fixed budget was compiled at the beginning of 2017.

**REQUIRED:**

- 4.1 Calculate the budgeted cost per unit (from the fixed budget of 1 000 units) for all the variable cost items. **(3)**
- 4.2 Prepare a flexible budget and calculate and interpret the variances. Clearly indicate the variance for each cost item, the total actual cost, the total flexible budget amount and the total variance **(17)**