



Department of Commercial Accounting

Costing and Estimating 1B

BKM/FPP11B1, CAE 01B1 and FPO 0BB1

FIRST ASSESSMENT OPPORTUNITY

12th November 2017

Time: 120 minutes

Marks 100

Assessors: Mrs R Benedict, Mr M Karodia

Moderator: Mrs O Takawira (Internal)

INSTRUCTIONS:

- This paper consists of 8 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 costing	20	25 minutes
2	Process Costing	20	25 minutes
3	Master Budgets	30	35 minutes
4	Cash Budgets	30	35 minutes
		100	120 minutes

QUESTION 1.1**(5 marks)**

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

1. _____ is a document or a computer file with information about a particular job.
2. _____ are losses over and above 3. _____ that happens during the production process.
4. _____ occurs when actual output exceed expected output.
5. _____ is used where a large number of homogenous products are manufactured in the same production process.

QUESTION 1.2**(15 marks)**

Gerald Kai is a company involved in repairing and servicing of car from General Motors. Their operations are designed to cater for client specifications.

The following information is available in respect of October 2017:

1. Opening balance on 1 January 2015 : Job T R18 400
2. Materials were issued as follows:

a. Job T	R19 100
b. Job W	R17 300
c. Job R	R14 800
3. Labour costs incurred during the month:

a. Job T	88 hours @ R350 per hour
b. Job W	72 hours @ R320 per hour
c. Job R	53 hours @ R440 per hour
4. Manufacturing overheads for the month:

a. Job T	R15 700
b. Job W	R14 000
c. Job R	R12 350
5. Job T and Job R were completed during the month and invoiced to the clients at a selling price of R96 000 and R77 500, respectively.

Required:

Prepare a job cost card for all jobs at the end of October 2017 and calculate the profit/loss on Job T and Job R.

(15)

QUESTION 2**(20 marks)**

Blackcurrent (Pty) Ltd manufactures cough mixtures and makes use of a process costing system.

They use two ingredients to make the cough mixture.

Material A gets added at the beginning of the process and Material B when the process is 50% complete. Conversion costs are incurred evenly throughout the process.

The following cost and production details are available for June 2017.

Production:	
Opening WIP (45% complete)	15 600 bottles
Closing WIP (30% complete)	16 600 bottles
Units added during the process	68 000 bottles

Costs

Opening WIP	- Material	Material A	R 17 400
	- Conversion Costs	Material B	13 460
			15 960
Current Costs	- Material	Material A	R 192 300
	- Conversion Costs	Material B	143 800
			172 260

Required:

Prepare the first four (4) steps of the Production and Cost Statement for 31st May 2017, using the FIFO method.

QUESTION 3**(30 marks)****PART A**

3.1 Provide 5 advantages of preparing a budget

(5)

PART B

XY (Pty) Ltd specialises in manufacturing two products, namely X and Y. The management has presented you with the following budgeted information for the financial year ending on the 31st Decemeber 2018.

	X	Y
Price per unit	R25	R22
Expected number of units to be sold	500 000	250 000
Inventory on hand (units)		
Opening inventory	NIL	5 700
Closing inventory	2 250	4 000
Raw material required to manufacture A and B :		
A @ R10 per kg	10 kg	8 kg
B @ R8 per kg	5 kg	7 kg
Labour requirement	10 hours @ R18	8 hours @ R13
Budgeted manufacturing overhead	R720 000	R350 000

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

	A	B
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 December 2018:

- | | | |
|-------|--|------|
| 3.2.1 | The sales budget for both products. | (2) |
| 3.2.2 | The production budget for both products. | (4) |
| 3.2.3 | The material usage and purchases budget. | (11) |
| 3.2.4 | The direct labour budget for both products. | (4) |
| 3.2.5 | The manufacturing overhead budget for both products. | (4) |

QUESTION 4**(30 marks)**

The management of Angie Limited has decided to prepare a cash budget for March and April 2018.

The following forecasts are available for the two months ending April 2018:

	Total purchases	Total sales	Overhead costs	Wages
January Actual	R 85 000	R170 000	R 0	R 0
February Actual	R90 000	R180 000	R56 000	R35 000
March	R60 000	R190 000	R44 000	R34 000
April	R110 000	R185 000	R36 000	R34 000

Additional information:

- 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;
- 40% of total sales is for cash and the remainder is credit sales;
- Debtors pay their accounts as follows:
 - 70% pay the month after sales and will receive a 7% discount,
 - 30% will pay two months after sales;
- Overhead expenses are paid in the same month that they occur;
- Wages are paid in the month that they occur;
- New equipment costing R66 000 is to be paid in March;
- During February an old machine which cost R43 000 three years ago, was sold for R13 070 cash. The money will be paid during March;
- The bank balance on 1st March 2018 is estimated to be R92 650.

Required:

Prepare the cash budget for March and April 2018.
Show all calculations.

(30)