



Department of Commercial Accounting

Costing and Estimating 1B

BKM/FPP11B1, CAE 01B1 and FPO 0BB1

SUPPLEMENTARY ASSESSMENT OPPORTUNITY

January 2018

Time: 120 minutes

Marks 100

Assessors: Mrs R Benedict, Mr M Karodia

Moderator: Mrs O Takawira (Internal)

INSTRUCTIONS:

- This paper consists of 6 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	15	20 minutes
2	Process Costing	20	24 minutes
3	Master Budgets	30	36 minutes
4	Cash Budgets	35	40 minutes
		100	120 minutes

QUESTION 1.1**(5 marks)**

Describe Five (5) Limitations/disadvantages of budget

(5)

QUESTION 1.2**(10 marks)**

Mr. Molapo runs a shop that specialises in making car parts. He provides you with the data below for the year ended 31st October 2017:

Direct material	R 210 000
Direct labour	R 140 000
Administration overheads	R 43 000`
Selling overheads	R 22 000

Job 515 was produced for a client and Mr. Maseko informs you that the completed job accumulated these costs:

- (i) Direct materials: 75% of the cost of direct materials that were purchased during the year.
- (ii) Direct labour: 100% of the direct labour was used on the job.
- (iii) Manufacturing overheads: at 36% of the direct labour cost.
- (iv) The profit on the job is estimated at 45% of the total cost of production.

Required:

Prepare a job cost card to record the above transactions and to show the amount that will be invoiced to the client

(10)

QUESTION 2**(20 marks)**

Fresh Breath is a company that manufactures mouthwash and uses the process costing. The process involves mixing 3 ingredients. Ingredient 1 is added at the beginning of the period. Ingredient 2 is added at 50% of the process and ingredient 3 is added at the end of the process. Conversion costs take place evenly throughout the whole process.

The following appeared in their records:

1. Opening work in process (65% completed) was 9 000 units.
2. Units added during the process amounted to 150 000 units.
3. Closing work in process (70% completed) was 6 500 units.

The total costs were as follows:

January:

Materials: Ingredient 1	54 600
Ingredient 2	36 500
Ingredient 3	22 500
Conversion Costs	148 000

February:

Materials: Ingredient 1	85 300
Ingredient 2	68 700
Ingredient 3	35 300
Conversion Costs	226 000

Required:**Using FIFO Method:**

Prepare the first four (4) steps of the Production and Cost Statement for 28th February 2017, using the FIFO method.

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

3.1 List any 5 types of budgets

(5)

PART B

AB Industries manufactures two products, namely A and B, which they sell to wholesalers. The following information is available:

	A	B
Expected sales	120 000 units	200 000 units
Selling price per unit	R30	R32
Direct labour	12 minutes	15 minutes
Direct labour rate	R30 per hour	R30 per hour
Material required to manufacture one unit:		
X	0.7 kg	0.8 kg
Y	0.4 m	0.5 m

Manufacturing overheads are as follows:

Fixed R158 130 per month

Variable R4 per direct labour hour

Inventory balances were as follows:

	1 June	30 June
A	4 000 units	8 000 units
B	8 000 units	10 000 units
X	10 400 kg @ R20 per kg	7 200 kg
Y	2 000 m @ R1.20 per m	2 400 m

Required

Prepare each of the following budgets for Allen Industries for the year ended 2017:

3.2.1 Sales budget

3.2.2 Production budget

3.2.3 Direct material budget and purchases budget

3.2.4 Direct labour budget

3.2.5 Manufacturing overheads budget (per product, round off to the nearest rand)

(25 Marks)

Question 4**(35 marks)**

Perfect Clean (PC) Pty (Ltd) is a retail distributor of Cleaning Product, related and support services. The company is planning its cash requirements, the following information regarding sales of 2017 has been provided to assist in preparing a cash budget for the period.

	October	November	December
Sales	R91 000	R76 000	R88 000
Purchases	R77 000	R51 000	R54 400
Selling and Administrative costs	R9 000	R11 200	R11 040
General overhead costs	R7 050	R7 050	R1 750

The following additional information is supplied:

- The company expects to sell 20% of its merchandise for cash.
- Debtors will pay their accounts as follows:
 - 55% in the month following the month of sale
 - 45% two months after the month of sale
- Purchases are paid for as follows:
 - 40% in the months of purchase
 - 60% in the following month
- Dividends of R1 000 will be declared and paid in December
- Overhead expenses include R1 750 depreciation each month
- Selling and administrative expenses are paid in the month in which they are incurred
- Interest on loan of R 1 350 is paid each month starting from November
- A loan of R 19 900 received in October is repayable in December 2017
- The cash balance on 31 October is R81 300

Required:

Prepare a cash budget for November and December 2017

(35)