



FACULTY/COLLEGE	College of Business and Economics
SCHOOL	School of Accounting
DEPARTMENT	Commercial Accounting
CAMPUS(ES)	SWC
MODULE NAME	COST ACCOUNTING 1
MODULE CODE	CCZ1-1
SEMESTER	First
ASSESSMENT OPPORTUNITY, MONTH AND YEAR	Final Summative Assessment Opportunity May/June 2019

ASSESSMENT DATE	31 May 2019	SESSION	08:30 – 11:30
ASSESSOR(S)	Mrs M Vermaak, Mrs M Mouton and Mrs J West		
MODERATOR(S)	Mr K Matshego		
DURATION	3 hours (180 min)	TOTAL MARKS	100

NUMBER OF PAGES OF QUESTION PAPER (Including cover page)	9
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INFORMATION/INSTRUCTIONS:

1. Answer ALL THE QUESTIONS.
2. Number your answers clearly.
3. Show all calculations, workings and formulas clearly.
4. Start each question on a new page.
5. The use of Tippex, pencil, erasable pen and red pen are prohibited.
6. Scratch out any blank spaces.
7. Silent, non-programmable calculators may be used.
8. Round all calculations to two decimal places unless otherwise instructed.
9. Indicate your index number in the top middle of your script.

		Book	Marks	Time
Question 1	Cost Classification & Cost Behaviour	Yellow	20	36 minutes
Question 2	Introduction to Management Accounting	Yellow	10	18 minutes
Question 3	Inventory valuation	Red	15	27 minutes
Question 4	Labour recovery rate	Red	15	27 minutes
Question 5	Manufacturing cost statement	Green	25	45 minutes
Question 6	Overhead allocation	Green	15	27 minutes
			100	180 minutes

QUESTION 1**20 MARKS**

Robotics Ltd manufactures parts for machines. The demand is increasing due to the Fourth Industrial Revolution (4IR). The monthly cost at various activity levels are presented in the table below:

Month	Feb 2019	March 2019	April 2019
Units	158 000	142 000	175 000
Costs:			
Direct material	R3 950 000	R3 550 000	R4 375 000
Direct labour	R2 370 000	R2 130 000	R2 625 000
Manufacturing overheads	R1 580 000	R1 350 000	R1 614 000
Sales commission	R1 264 000	R1 136 000	R1 400 000
Non-manufacturing overheads	R185 000	R185 000	R185 000

REQUIRED:

(Show all formulas, descriptions and calculations)

- 1.1 Identify the cost behaviour of the following costs: [6]
 - 1.1.1 Manufacturing overhead cost
 - 1.1.2 Non-manufacturing overhead cost
 - 1.1.3 Direct Labour

Show the calculation and provide a short explanation to support each answer.
- 1.2 Calculate the estimated total manufacturing cost for an activity level of 195 000 units. Clearly show prime cost in your calculation. [8]
- 1.3 Assume that the variable cost will decrease with 5% and the fixed cost will increase with 8%. [6]

Calculate the conversion cost for an activity level of 205 000 units.

QUESTION 2**10 MARKS**

In 2018 a number of accounting students submitted sick notes that they bought (without being sick) from a local doctor in order to qualify for the sick test. The situation posed an ethical dilemma because it is in conflict of the Institution's regulations as well as CIMA's prescribed code of conduct.

Once the students were caught out, some of them explained that they were not adequately prepared for the initial test and therefore bought the sick letters to have another chance to write.

REQUIRED:

- 2.1 Identify, describe and discuss the fundamental ethical principles that were bridged in this situation. [9]
- 2.2 What does CIMA stand for? [1]

QUESTION 3**15 MARKS**

Flower Limited uses different types of material. At the end of February, 450 units of material Oasis were available at a total cost of R11 250. The following information was extracted for March 2019.

Requisitions from the production department received by the storeroom:

9 th	Issued 950 units with a sales value of R30 per unit
31 st	Issued 850 units

Invoices received during March 2019:

3 th	Purchased 800 units at a cost of R27 per unit
20 th	Purchased 1 250 units at a total cost of R35 000.

The following returns were recorded during the month:

On the 11th of March the production department returned 80 units to the storeroom that was issued at the end of February. Flower Ltd then returned the 80 broken units to the supplier on the 22nd of March.

REQUIRED:

- 3.1 Prepare the inventory card for material Oasis for March 2019. [12]
- 3.2 Determine the following:
 - 3.2.1 The quantity that was bought during March 2019. [1]
 - 3.2.2 The cost of the units issued to production. [1]
 - 3.2.3 The quantity that was issued to production. [1]

QUESTION 4**15 MARKS**

Mrs Suping is an employee of Wellerware Ltd. The following information was taken from Mrs Suping's timesheet for the week ending 1 March 2019:

Mrs Suping worked 48 hours during the week of which 2 hours were on Sunday. A normal working week is from Monday to Friday, 8 hours per day. Overtime relating to Sundays and public holidays is remunerated at double the time worked. Other overtime is remunerated at the time and a half worked. There are 13 public holidays in 2019. Employees receive 3 weeks of leave per year. Idle time is estimated at 11% of time to be at work. The normal wage rate is R130 per hour.

The following allowances, deductions and benefits apply to the employees of Wellerware Ltd:

- The employer and employee each contribute 1% (of normal wages) to Unemployment Insurance Fund.
- A weekly contribution of 15% is paid towards a pension fund. Mrs Suping pays 50% towards the pension fund.
- The medical aid contribution of 10% is paid in the ration 60:40 (employee: employer) respectively.
- An average PAYE of 20% is paid to SARS on a weekly basis.
- Employees receive a housing allowance of R800 per week and a bonus equal to one month's normal pay.

REQUIRED:

4.1 Calculate the Labour recovery rate per labour hour.

[15]

QUESTION 5**25 MARKS**

Hickey Company, a manufacturing firm, produces recyclable shopping bags. The following information has been taken from the company's actual production, sales and cost records for last year:

Production in units	30 000
Costs:	
Advertising	R50 000
Direct labour	R80 000
Indirect labour	R60 000
Raw material purchased	R160 000
Building rent (production uses 80% of the space and the balance is used by the administrative and sales office)	R80 000
Utilities – factory	R35 000
Factory maintenance	R25 000
Rent of special production equipment, R6000 per year plus R1 per unit produced	?
Selling and administrative salaries	R140 000
Other factory costs	R11 000
Other selling and administrative expenses	R20 000

	1 January 2018	31 December 2018
Inventories		
Raw materials	R20 000	R10 000
Work in process	R95 000	R120 000
Finished goods	R0	R85 000

Budgeted information for 2018:

Manufacturing overhead costs	R288 750
Planned production units	35 000

REQUIRED:

- 5.1 Prepare a schedule of cost of goods manufactured for the year, based on [19]
actual manufacturing overhead costs.
- 5.2 Hickey Company used a predetermined overhead recovery rate to calculate [6]
the manufacturing overheads. Calculate the over or under applied overhead
cost and illustrate the impact this will have on the cost of sales.

QUESTION 6**15 MARKS**

Madison Ltd has different departments. The production departments consist of Department 1 and Department 2. The service departments consist of the tool room and the factory office.

The budget committee conducted a survey regarding the 2019 factory budget. The survey results showed the following information:

Department 1:

There are 20 employees, with a budget of 35 000 direct labour hours. The department takes up 50% of the total floor space. Value of machinery is R40 000 and the estimated electricity usage is 600 kilowatts for the year.

Department 2:

There are 10 employees, with a budget of 30 000 direct labour hours. The department takes up 45% of the total floor space. Value of machinery is R60 000 and the estimated electricity usage is 400 kilowatts for the year.

Service departments:

	Tool room	Factory office
Floor space*	3%	2%
Value of machinery	R26 000	R6 000
Number of employees	2	2

**The total floor space (Department 1 + Department 2 + service departments) is 20 000m²*

Budgeted manufacturing overhead costs for 2019:

Rates and taxes	R140 000
Depreciation of machinery and equipment	R65 000
Electricity (Only for production departments)	R40 000
Indirect material	
Department 1	R3 100
Department 2	R3 400
Tool room	R4 500
Factory office	R1 000
Factory office expenses (per month)	R2 000

REQUIRED:

- 6.1 Allocate the budgeted manufacturing overheads to the various production and service departments. [12]
- 6.2 Allocate the cost of the service departments as follows: [3]
- (i) Factory office based on number of employees
 - (ii) Tool room based on the value of machinery

Total Marks [100]