



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	Supplementary Summative Assessment Opportunity July 2019

ASSESSMENT DATE		SESSION	
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)	8
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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.

		Marks	Time
Question 1	Cost Classification & Cost Behaviour	20	36 minutes
Question 2	Introduction to Management Accounting	10	18 minutes
Question 3	Overhead allocation	24	43 minutes
Question 4	Manufacturing cost statement	16	29 minutes
Question 5	Manufacturing cost statement	15	27 minutes
Question 6	Labour recovery rate	15	27 minutes
		<b>100</b>	<b>180 minutes</b>

**QUESTION 1****20 MARKS****PART A:**

Sunshine Parts CC manufactures motor vehicle components. The following factory overhead cost at various levels of direct labour hours are given for the following months of production:

Month	Direct machine hours	Manufacturing overheads
February	10 000	R90 000
March	6 000	R66 000
April	8 000	R80 000
May	12 000	R96 000

**REQUIRED:**

- 1.1 Identify the cost behaviour of the manufacturing overhead cost in the above table. Show a calculation and provide a short explanation to support your answer. [2]
- 1.2 Calculate the manufacturing overhead cost for 13 500 direct machine hours. [7]

**PART B:**

A local newspaper, that is very popular among UJ students, has the following costs for a circulation of 25 000 newspapers:

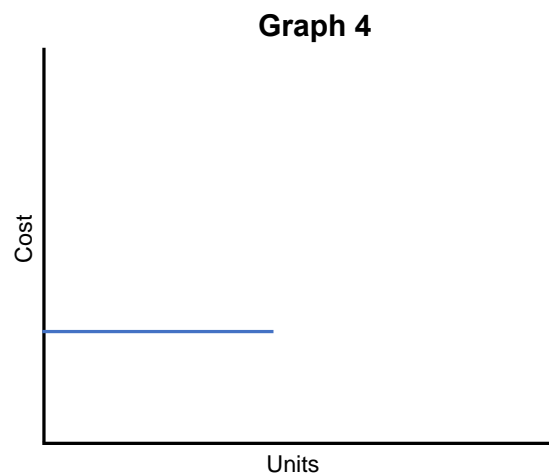
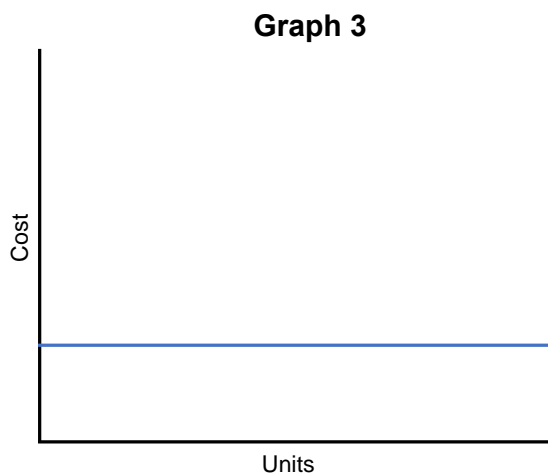
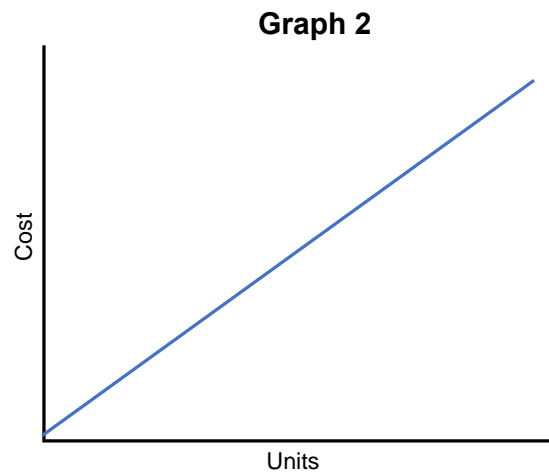
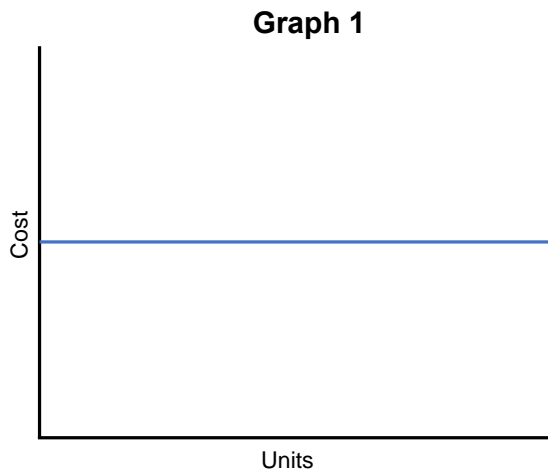
Direct material	R12 500
Direct labour (only variable)	R10 000
Variable manufacturing overheads	R5 000
Fixed manufacturing overheads	R28 500
Fixed Non-manufacturing overheads	R7 500

**REQUIRED:**

- 1.3 Calculate the total variable cost and total cost for a circulation of 27 500 newspapers. [5]
- 1.4 Calculate the conversion cost for 30 000 newspapers. [3]

**PART C:**

View the following graphs and answer the multiple questions by indicating the correct alternative in your answer script, for example: 1.5 e.



1.5 Which graph illustrates a total variable cost?

[1]

- a. Graph 1
- b. Graph 2
- c. Graph 3
- d. Graph 4

1.6 Which graph illustrates a total mixed cost?

[1]

- a. Graph 1
- b. Graph 2
- c. Graph 3
- d. Graph 4

1.7 Which graph illustrates a variable cost per unit?

[1]

- a. Graph 1
- b. Graph 2
- c. Graph 3
- d. Graph 4

<b>QUESTION 2</b>
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<b>10 MARKS</b>
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The role of a management accountant has evolved over the years and differs from the function of the financial accountant.

**REQUIRED:**

2.1 Compare and contrast financial accounting and management accounting.

[10]

**QUESTION 3****24 MARKS**

GPS Ltd has two main production departments: Casting and Assembly. The maintenance department is the only service department. The following details were obtained from the accounts for the relevant period:

Rent	R100 000
Indirect labour	R60 000
Depreciation: Equipment	R80 000
Indirect material	
Casting	R15 000
Assembly	R7 000
Maintenance	R11 250

The following basic data is available for GPS Ltd:

	<b>Casting</b>	<b>Assembly</b>	<b>Maintenance</b>	<b>Total</b>
Area (m <sup>2</sup> )	50%	30%	20%	830
Value of plant and machinery	R486 000	R324 000	R90 000	
Number of employees	35	40	?	89
Material requisitions	1 750	350	250	
Maintenance hours	1 000	500	50	

Additional information:

The maintenance department must be re-allocated on the basis of maintenance hours.

**REQUIRED:**

- 3.1 Compile an overhead allocation statement to illustrate the primary and secondary allocation of budgeted manufacturing overhead costs to the production and service departments. [17]
- 3.2 Calculate the predetermined overhead rate for the Casting department on the basis of maintenance hours. [2]
- 3.3 Assuming that the actual maintenance hours were 1 112 hours and the actual overhead cost was R161 500, calculate the under- or over absorption of overheads in the Casting department. [5]

**QUESTION 4****16 MARKS**

The following selected account balance for the year ended 31 December are provided for Valenko Company:

Advertising expense	R215 000
Depreciation of factory equipment	R110 000
Maintenance of the factory building	R164 000
Utilities (factory)	R52 000
Cleaning supplies for the factory	R6 000
Direct labour	?
Purchases of raw material	R260 000
Freight and insurance of raw materials	R12 000

Inventory balances at the beginning and end of the year were as follows:

	1 January (Beginning of the year)	31 December (End of the year)
Inventories		
Raw materials	R50 000	R40 000
Work in process	R28 000	R33 000
Finished goods	R30 000	?

The total manufacturing costs for the year were R857 000, the goods available for sale totalled R882 000 and the cost of goods sold totalled R835 000.

**REQUIRED:**

4.1 Prepare the manufacturing cost statement for Valenko.

[16]

**QUESTION 5****15 MARKS**

Petzone produce animal beds. The inventory card for material shows the following material movements. The material is purchased in rolls. There are 60 meters on a roll. Petzone uses a first in first out method of inventory valuation. Petzone keep record of material in meters.

DATE	DESCRIPTION	
1 April	Opening balance	600m at R80/m
2 April	Issued to production	105m
8 April	Received a consignment of 8 rolls from China	R4 620 per roll
9 April	Two rolls were damaged in transit. Return the rolls to the supplier	
12 April	Issued 7 rolls to production	
18 April	The factory returned 55 meters of material to the storeroom	

**REQUIRED:**

5.1 Prepare the Inventory card for Petzone.

[15]

**QUESTION 6****15 MARKS**

Coco Manufactures operates for 52 weeks in a year. A normal work week consists of 45 hours, 9 hours per day. Each employee receives a housing allowance of R2 000 per month.

Other information with regard to labour in the production department for the year is as follows:

Each employee is entitled to 4 weeks annual leave per year and 1 week of sick leave per year. There are 8 public holidays falling on normal working days. It is Coco Manufactures' policy to remunerate employees for these days. Idle time is estimated at 10%.

The average wage is R180 000 per year per employee. Each employee receives an annual bonus equal to 1 month's remuneration. Total pension fund contribution is 15% of normal wage, the employee pays 45% and Coco Manufactures pays the remaining 55%. Medical aid is R5 000 per month of which Coco Manufactures pays 50%. UIF of 1% is payable by the employee as well as Coco Manufactures.

**REQUIRED:**

- 6.1 Calculate the average labour recovery rate per hour. [15]

**Total Marks****[100]**