



FACULTY/COLLEGE	College of Business and Economics
SCHOOL	School of Economics
DEPARTMENT	Commercial Accounting
CAMPUS(ES)	APB & SWC
MODULE NAME	Applied Accountancy Skills
MODULE CODE	AAS11B1 & AAS1BB1
SEMESTER	Second
ASSESSMENT OPPORTUNITY, MONTH AND YEAR	Final Summative Assessment Opportunity November 2019

ASSESSMENT DATE	November 2019	SESSION	08:00 – 10:00
ASSESSOR(S)	Dr Nisi Thusi & Mr Fred Hemmings		
MODERATOR(S)	Mr D du Plessis		
DURATION	2 hours (120 min)	TOTAL MARKS	70

NUMBER OF PAGES OF QUESTION PAPER (Including cover page)	15
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INFORMATION/INSTRUCTIONS:

- This paper consists of 15 pages (including the cover page).
- Note: Q1, Q2 and Q4 must be answered on the templates provided.
- Q3 must be answered in the answer book provided.
- Do not use Tippex or write in pencil. All answers to be shown in **INK**.
- Where relevant show all calculations and workings clearly.
- Silent, non-programmable calculators may be used.

Questions	Topic	Marks	Time
1	MCQ's (Including Cash/Flexible Budgets)	25	43 mins
2	Classification of Costs	10	17 mins
3	Cost and Manufacturing Statement	25	43 mins
4	High-Low	10	17 mins
		70	120 mins

QUESTION 1**(25 MARKS)**

Answer the following MCQ's on the template provided at the back of your question paper. Note there is only one correct answer for each MCQ and each MCQ counts for 1 mark. Note: If you show more than one answer on any row **a mark of zero** will be awarded for that question.

Question 1.1

Total manufacturing costs for a period (after adjustments for beginning and ending Work-in- Process balances has been made), is shown as:

- a) Conversion Costs + MOH's + W-I-P (beg) – W-I-P (end)
- b) Conversion Costs + MOH's - W-I-P (beg) + W-I-P (end)
- c) Prime Costs + MOH's + W-I-P (beg) – W-I-P (end)
- d) Prime Costs + MOH's - W-I-P (beg) + W-I-P (end)
- e) None of the above

Question 1.2

Prime costs are defined as the following:

- a) Direct materials + Manufacturing overheads
- b) Conversion cost + Manufacturing overheads
- c) Direct materials + Direct labour + Manufacturing overheads
- d) Direct materials + Direct labour
- e) Direct materials + Indirect materials + Direct labour

Question 1.3

Total manufacturing costs for a period (before adjustments for beginning and ending Work-in- Process balances) has been made, can be shown as:

- a) Prime costs + Conversion costs - Direct labour costs
- b) Direct material + Manufacturing overheads
- c) Direct labour + Manufacturing overheads
- d) Conversion costs – Direct labour costs
- e) Prime Costs + MOH's - W-I-P (beg) + W-I-P (end)

Question 1.4

Conversion cost is calculated as:

- a) Direct material + Direct labour
- b) Direct material + Manufacturing overheads
- c) Direct labour + Manufacturing overheads
- d) Non-manufacturing overheads + Manufacturing overheads
- e) Direct labour + Non-manufacturing overheads

Question 1.5

Manufacturing costs are also known as:

- a) Conversion costs
- b) Prime costs
- c) Product costs
- d) Indirect costs
- e) Direct costs

Question 1.6

The calculation of raw materials used in production is:

- a) Opening inventory – purchases + closing inventory
- b) Opening inventory + purchases – closing inventory
- c) Opening inventory + purchases + closing inventory
- d) Opening inventory – purchases – closing inventory
- e) None of the above

Question 1.7

Which of the following is not a manufacturing overhead?

- a) Factory supervisor's salary
- b) Salesmen's commissions
- c) Indirect materials
- d) Factory insurance
- e) Depreciation of manufacturing equipment

Question 1.8

Calculate the amount of raw materials used in production if the following information is given:

Opening raw material inventory	R 20 000
Purchases of raw materials	R 210 000
Closing raw material inventory	R 30 000

- a) R 220 000
- b) R 260 000
- c) R 180 000
- d) R 200 000
- e) R 160 000

Question 1.9

Calculate the total manufacturing cost if the following information is given:

Raw materials used in production	R 300 000
Direct labour	R 150 000
Manufacturing overheads	R 50 000
Non-manufacturing overheads	R 100 000

- a) R 500 000
- b) R 600 000
- c) R 450 000
- d) R 300 000
- e) R 400 000

Question 1.10

Calculate the cost of sales if the following information is given:

Opening finished goods inventory	R 100 000
Cost of goods from manufacturing	R 750 000
Closing finished goods inventory	R 120 000

- a) R 920 000
- b) R 730 000
- c) R 770 000
- d) R 870 000
- e) R 850 000

Question 1.11

Calculate the total manufacturing cost if the following information is given:

Opening raw materials inventory	R 400 000
Purchases of raw materials	R 800 000
Closing raw materials inventory	R 120 000
Direct labour	R 135 000
Manufacturing overheads	R 210 000

- a) R 1 425 000
- b) R 1 200 000
- c) R 990 000
- d) R 565 000
- e) None of the above

Question 1.12

The correct cost flow in a manufacturing firm is:

- a) Manufacturing cost → work in process → finished goods → cost of sales
- b) Finished goods → cost of sales → manufacturing cost → work in process
- c) Cost of sales → work in process → manufacturing cost
- d) Manufacturing cost → work in process → finished goods
- e) Work in process → finished goods → cost of sales

Question 1.13

Which of the following costs are expensed directly to the income statement?

- a) Factory supervisor's salary
- b) Salesmen's commissions
- c) Head Office's general and administrative expenses
- d) None of the above
- e) Both b) and c)

Question 1.14

Incomplete work that was placed into the manufacturing process and has not been converted into finished goods by the end of the financial period is known as what?

- a) Work-in-process
- b) Touch labour
- c) Consumable stores
- d) Finished goods
- e) Cost of sales

Question 1.15

A crude statistical method that can be used to determine total costs for any given level of activity as broken down into their fixed cost and variable cost components is known as?

- a) The Chi-square method
- b) The High-Low method
- c) The Standard normal distribution method
- d) The Spearman's rank correlation method
- e) None of the above

Question 1.16

A flexible budget is:

- a) An adjustment to the original fixed budget
- b) Always comparing a static budget with an adjusted flexed budget
- c) Broken down into Fixed Costs and Variable Cost components
- d) Both a) and c)
- e) None of the above

Question 1.17

A variance can best be described as:

- a) A cost to be expensed in the Statement of Comprehensive Income
- b) An asset that is reflected in the Statement of Financial Position
- c) Both a) and b)
- d) The difference between an actual and a budgeted level of activity
- e) None of the above

Question 1.18

The most salient distinguishing characteristic between a 'retailing business' and a 'manufacturing business' is:

- a) A manufacturer is a far more profitable type of business than a retailer
- b) The retailer is subject to far more favourable tax rates from SARS than a manufacturer
- c) There are more categories of inventories held by the manufacturer as opposed to a retailer
- d) Both a) and b)
- e) None of the above

Question 1.19

The taxable income of an employee is defined as:

- a) The gross wage less the employee's pension fund contribution
- b) The figure that an employee's PAYE is calculated upon
- c) Both a) and b)
- d) The net wages payable to the employee
- e) None of the above

Question 1.20

A 'period cost' is:

- a) The same as a 'product cost'
- b) Always expensed to the Statement of Comprehensive Income
- c) Always found in the Manufacturing Cost Statement
- d) A cost of getting the raw materials to the factory's premises i.e. carriage inwards and custom duties
- e) None of the above

Question 1.21

The purpose of preparing a 'Cash Budget' each month is to:

- a) Identify liquidity requirements that the business requires going forward
- b) Determine what profits or losses for the month have been made
- c) Determine what the business' opening and closing cash balances will be
- d) Both a) and b)
- e) None of the above

Question 1.22

A 'flexible budget':

- a) May be prepared for any activity level in the relevant range
- b) Shows costs that would have been incurred at the actual level of activity
- c) Reveals variances related to cost control
- d) Improves performance evaluation
- e) All of the above

Question 1.23

If 'actual levels of activity' (say 10 000 items) is below the 'budgeted levels of activity' provided for (say 12 000 items) then:

- a) The variances can meaningfully be compared at the different levels of activity
- b) An analysis as to the reasons for such variances should be undertaken
- c) It would be advisable to prepare a 'flexible budget' to compare variances
- d) Both b) and c)
- e) a) and b) and c) are all correct

Question 1.24

If we are 'flexing' a budget in terms of machine hours utilised

- a) Then the fixed costs will not remain constant
- b) Each 'variable cost per unit of activity' should be individually determined
- c) All 'sunk costs' must be brought into account
- d) Both b) and c)
- e) None of the above

Question 1.25

Human factors important in the budgeting process include:

- a) Top management's enthusiasm and commitment to the budgeting process
- b) Top management should not use the budgets to pressurise employees or blame them when something goes wrong
- c) Realistic and achievable 'budget targets' should be set
- d) All of the above
- e) None of the above

QUESTION 2**(10 MARKS)**

For each of the costs below, indicate if they are direct materials, direct labour, manufacturing overheads or non-manufacturing overheads. Also indicate if the cost is a fixed cost or a variable cost:

	Direct Material	Direct Labour	Manufac - turing Overhead	Non- Manufac- turing Overhead		Fixed Cost	Variable Cost
Example: Bricks used in building	X						X
2.1 Monthly lease of factory machinery							
2.2 Sales commissions paid to sales staff		<div>ANSWER THIS QUESTION ON THE TEMPLATE PROVIDED</div>					
2.3 Wood used to manufacture furniture							
2.4 Machinist's weekly wages							
2.5 Factory security guard's salary							
2.6 Annual newspaper subscription charges							
2.7 Factory electricity used							
2.8 Monthly lease of the factory premises							
2.9 Monthly salary of Chief Executive Officer							
2.10 Screws and glue used in furniture							

QUESTION 3**(25 MARKS)**

Michaela Manufacturers produces 'safety lamps' which she manufactures for the 'mining industry'. The following accounting data was extracted from the company's accounting records for the month ended 30 June 2019:

1 Opening inventory on 1 June 2019:

Raw materials	R 52 000
Work-in-process	R 8 000
Finished goods	R 2 400

2 Transactions for the month ended 30 June 2019:

Raw materials purchased (cash)	R 24 000
Raw materials purchased (credit)	R 26 360
Carriage on raw materials purchased	R 4 500
Wages: Direct labour	R30 000
Wages: Indirect labour	R 6 500
Water and electricity (factory)	R6 000
Depreciation on factory plant	R 5 000
Rent expenses (factory)	R 23 000
Insurance (factory)	R 2 500
Maintenance on factory and plant	R 3 000

3 Closing inventory on 30 June 2019:

Raw materials	R 12 000
Work-in-process	R 6 600
Finished goods	R?

Additional Information:

- The factory insurance includes an amount of R900 paid for the month of July 2019.
- The accountant erroneously posted an amount of R500 relating to the Sales Offices electricity account to the factory by mistake.
- Included in the figure given above for the direct labour for the month of June 2019 is an amount of R7 500 representing the security guard's monthly salary.

- An additional amount of R3 000 for the increase in rent of the factory premises still needs to be brought into account in the books of the business.
- Cost of Sales for the period was R 174 360.

Required:

- 3.1 Prepare the Cost of Manufacturing Statement for the month ended 30 June 2019 for Michaela Manufacturers. **(21)**
- 3.2 What is the Rand amount of the Finished Goods on hand at the end of June 2019? **(4)**

Note: Answer this question in your answer books showing all relevant workings.

QUESTION 4**(10 MARKS)**

Sugar Daddy is a manufacturer of a 125 gram 'chocolate bar sweet' that is produced exclusively for wholesalers. The following table highlights Sugar Daddy's production costs for the last five months for the manufacturing production run of the 'chocolate bar sweets':

Month	Units Produced	Cost of Production
1	29 000	R 9 000
2	55 000	R 17 000
3	42 000	R 13 000
4	49 000	R 14 700
5	75 000	R 21 750

Required:

- 4.1 Using the High-Low method determine the 'variable cost per unit' of producing one unit of the 125 gram 'chocolate bar sweet'. **(3)**
- 4.2 Calculate the fixed cost at the 'highest level' of production as indicated in the table. **(3)**
- 4.3 Calculate the total cost of producing 78 000 units of the 125 gram 'chocolate bar sweet'. **(4)**

QUESTION 1 - MCQ's) THIS PAGE IS TO BE HANDED IN WITH YOUR ANSWER BOOK!

NAME: -----STUDENT NUMBER: -----

Answer the following MCQ's on the template provided **by marking an (X)** in the appropriate space. There is only one correct answer for each MCQ and each MCQ counts **(1 mark)**. Note: If you show more than one answer on any row **a mark of zero will be awarded for that question.**

EXAMPLE: The SWC campus's lecturer for AAS11B1 and AAS1BB1 is:

a) Dr Thusi b) Mr Shandu c) Mr F Hemmings d) Prof Chetty

Ex.	a	b	c X	d	e
1.1					
1.2					
1.3					
1.4					
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1.22					
1.23					
1.24					
1.25					

NAME: -----STUDENT NUMBER: -----

QUESTION 2**(10 MARKS)**

For each of the costs below, indicate if they are direct materials, direct labour, manufacturing overheads or non-manufacturing overheads. Also indicate if the cost is a fixed cost or a variable cost:

	Direct Material	Direct Labour	Manufac - turing Overhead	Non- Manufac- turing Overhead		Fixed Cost	Variable Cost
Example: Bricks used in building	X						X
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2.5 Factory security guard's salary							
2.6 Annual newspaper subscription charges							
2.7 Factory electricity used							
2.8 Monthly lease of the factory premises							
2.9 Monthly salary of Chief Executive Officer							
2.10 Screws and glue used in furniture							

QUESTION 4**(10 MARKS)**

Student Name _____ Student No _____

4.1**VARIABLE COST PER UNIT****Formula:****4.2****FIXED COST AT HIGH LEVEL OF PRODUCTION****Formula:****4.3****TOTAL COST OF PRODUCING 78 000 UNITS****Formula:**