



FACULTY/COLLEGE	College of Business and Economics
SCHOOL	School of Accounting
DEPARTMENT	Commercial Accounting
CAMPUS(ES)	SWC and DFC
MODULE NAME	Costing and Estimating 1B Financial Principles in Operation 1B
MODULE CODE	BKM11B1/CAE01B1/FPO0BB1/BKM1BB0
SEMESTER	Second
ASSESSMENT OPPORTUNITY, MONTH AND YEAR	Last Assessment Opportunity November 2019

ASSESSMENT DATE	23 November 2019	SESSION	08:30 – 11:30
ASSESSOR(S)	Ms R Benedict and Mr D du Plessis		
INTERNAL MODERATOR	Ms M Nevhutanda		
EXTERNAL MODERATOR	Ms B Moncho		
DURATION	180 minutes	TOTAL MARKS	100

NUMBER OF PAGES OF QUESTION PAPER (Including cover page)	6
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INFORMATION/INSTRUCTIONS:

- 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	Job Costing	25	45 minutes
2	Process Costing	25	45 minutes
3	Master Budgets	25	45 minutes
4	Cash Budgets	25	45 minutes
		100	180 minutes

QUESTION 1

(21 marks)

Part A

Mercy & Co. (Pty) Ltd is a company that specialises in interior design, and has received an order from Melanie Dlamini to supply two sets of upper and lower kitchen cupboards for Gladys's Guest House on Observatory Avenue in Bedford View. A job cost card was issued with job number 606. The job passes through three departments: cutting, assembly and sanding, and collects the following costs:

Cutting department:	225 kg of rubber @ R48 per kg
	140 kg of plastic @ R44 per kg
	70 hours of labour @ R130 per hour

Assembly department:	41 hours of labour @ R137 per hour
	78 hours of the assembly machine hours @ R79 per hour

Sanding department:	53 hours of labour @ R290 per hour
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Actual manufacturing overheads are as follows:	
Cutting department:	R1 420
Assembly department:	R1 780
Sanding department:	R1 360

Selling and distribution expenses:	R26 040
Administrative costs:	R16 600
Selling price	R310 000

REQUIRED:

Prepare a job cost card to record the above transactions and to show the profit or loss on the job

(21)

Part B

Provide a definition for each of the following terms:

- a) Abnormal loss (2)
- b) Normal loss (2)

QUESTION 2

(25 marks)

Moonlight Liquid is a company that manufactures dishwashing liquid in South Africa. Moonlight Liquid has decided to rather use the first-in-first-out (FIFO) method of inventory valuation to assign costs to the production.



A main component in the manufacture of dishwashing liquid is water, which is added at the beginning of the process. Soap flakes are then added evenly from 40% to 60% of the process. The mixture of water and soap flakes are consistently heated throughout the process to allow the soap flakes to melt. When the process reaches 80%, vinegar is added, which acts as a natural decreasing and rinse agent. Conversion cost is incurred evenly throughout the process.

At the beginning of November 2019, Moonlight Liquid had 20 000 litres of dishwashing liquid which was 45% complete. A further 110 000 litres of dishwashing liquid started production during the month, with 30 000 litres ending at 55% complete at the end of the month.

The cost of water amounts to 50 cents per unit of dishwashing liquid, while the soap flakes cost R2 per unit. The cost of vinegar used to complete the units brought forward from October was R80 000. The current cost of vinegar is R320 000. The conversion costs amounted to R90 000 for October and R434 250 for November.

REQUIRED:

Prepare Steps 1 – 4 for calculating process costs for November using the first-in-first-out (FIFO) method.

(25)

QUESTION 3**(25 marks)**

Silkwooths Ltd specialises in manufacturing two products, namely winter jackets and trousers. The management has presented you with the following budgeted information for the financial year ending on the 30th November 2020:

	Jackets	Trousers
Price per unit	R800	R700
Expected number of units to be sold	5 000	8 000
Inventory on hand (units)		
Opening inventory	500	1 200
Closing inventory	1 000	2 000
Raw material required to manufacture Jackets and Trousers:		
Wool @ R30 per square meter	4 m ²	2 m ²
Buttons @ R5 per button	7 Buttons	3 Buttons
Labour requirement	3 hours @ R15	2 hours @ R10
Budgeted manufacturing overhead	R82 500	R70 400

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

	Wool	Buttons
Inventory on hand:		
Opening Inventory	1 000 m ²	0 Buttons
Closing Inventory	1 400 m ²	5 100 Buttons

Additional information:

The budgeted manufacturing overheads are applied using direct labour hours.

REQUIRED:

Prepare the following budgets for the year ending 30th November 2020:

- 3.1 The sales budget for both products. (2)
- 3.2 The production budget for both products. (4)
- 3.3 The material usage and purchases budget. (11)
- 3.4 The direct labour budget for both products. (4)
- 3.5 The manufacturing overhead budget for both products. (4)

QUESTION 4**(25 marks)**

The management of Lungile Limited has decided to prepare a cash budget for February and March 2020. The following forecasts are available for the two months ending March 2020:

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

Additional information:

- a) 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 6% discount;
- b) 40% of total sales is for cash and the remainder is credit sales;
- c) Debtors pay their accounts as follows:
 - i. 70% pay the month after sales and will receive a 7% discount,
 - ii. 30% will pay two months after sales;
- d) Overhead expenses are paid in the same month that they occur;
- e) Wages are paid in the month that they occur;
- f) New equipment costing R66 000 is to be paid in March;
- g) 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;
- h) The bank balance on 1st February 2020 is estimated to be R92 650.

REQUIRED:

Prepare the cash budget for February and March 2020. Show all calculations.

(25)

THE END