



<b>FACULTY/COLLEGE</b>	College of Business and Economics
<b>SCHOOL</b>	School of Accounting
<b>DEPARTMENT</b>	Commercial Accounting
<b>CAMPUS(ES)</b>	SWC
<b>MODULE NAME</b>	Cost Accounting 2A
<b>MODULE CODE</b>	CCZ2-2
<b>SEMESTER</b>	Second
<b>ASSESSMENT OPPORTUNITY, MONTH AND YEAR</b>	Supplementary Final Summative Assessment January 2020

<b>ASSESSMENT DATE</b>	January 2020	<b>SESSION</b>	
<b>ASSESSOR(S)</b>	M Janse van Rensburg		
<b>MODERATOR(S)</b>	K Matshego (internal), H Dixon (external)		
<b>DURATION</b>	3 hours (180 min)	<b>TOTAL MARKS</b>	100

<b>NUMBER OF PAGES OF QUESTION PAPER (Including cover page)</b>	6
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#### INFORMATION / INSTRUCTIONS:

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- This is a closed-book assessment.
  - You may use silent, non-programmable calculators.
  - Where applicable, round all calculations to two decimals, unless stipulated otherwise.
  - Read the questions carefully and answer only what is required.
  - Number your answers clearly and correctly as per the question paper.
  - Write neatly and legibly on both sides of the paper in the answer book, starting on the first page.
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**QUESTION 1****(18)****Cash budget****32 Minutes**

Rain Mate Ltd manufactures long raincoats. Rain Mate Ltd is a newly established business based in Crymeariver. The following budgeted information applies to Rain Mate Ltd:

		<b>Variable costs</b>		
<b>Month</b>	<b>Sales</b>	<b>Material purchases</b>	<b>Labour expense</b>	<b>Variable overheads</b>
March	R162 500	R83 799	R19 110	R32 500
April	R169 000	R87 151	R19 800	R33 800
May	R156 000	R80 447	R18 350	R31 200
June	R156 000	R80 447	R18 350	R31 200
July	R172 250	R88 827	R20 260	R34 450
August	R175 500	R90 503	R20 640	R35 100
September	R195 500	?	R22 940	R39 000

Depreciation to the value of R5 000 is not included in the overheads. Sales terms are as follows:

- 40% of sales are cash sales;
- 70% of credit sales will be collected in 30 days;
- 25% of credit sales will be collected in 60 days; and
- The rest of the credit sales is uncollectable.
- Rain Mate Ltd prices their products at production cost plus 20%.

Purchase terms are as follows:

- All purchases are paid in cash.

Additional information:

- Rain Mate Ltd indicated a favourable bank balance of R115 000 on 31 July.
- The fixed cost amounted to R20 000 per month.

**REQUIRED**

- 1.1 Prepare a cash budget for August and September and show all calculations.

**(18)**

**QUESTION 2****[30 MARKS]****Operational budget****54 minutes**

Sipho Ltd manufactures chairs and tables from wood and steel. The selling price per chair is R2 600 and R7 500 per table. Sipho expects to sell 3 600 chairs and 600 tables during the next budget period. The following information is available:

	<b>Chair</b>	<b>Table</b>	<b>Total</b>
Direct material:			
Wood per meter	R580	R580	
Wood required per unit	1.65 m	2.80 m	
Steel per unit	0.5 kg	1.2 kg	
Steel per kilogram	R320	R320	
Direct labour:			
Rate per labour hour	R90	R90	
Time required per unit	1 hour 45 minutes	3 hours 15 minutes	
Variable manufacturing overheads per unit	45 minutes	1 hour 24 minutes	
Variable manufacturing overhead rate per hour	R100	R100	
Fixed overheads			R180 000
Opening inventory (units)	180	50	
Closing inventory (units)	90	110	
	<b>Wood (m)</b>	<b>Steel (kg)</b>	
Opening inventory	250	559	
Closing inventory	375	410	

**REQUIRED**

- 2.1 Prepare the sales budget. **(3)**
- 2.2 Prepare the production budget. **(5)**
- 2.3 Prepare the material purchases budget. **(11)**
- 2.4 Prepare the direct labour budget. **(5)**
- 2.5 Prepare the manufacturing overheads budget. **(6)**

**QUESTION 3****[18 MARKS]****Process costing****32 Minutes**

Thando produces a product that goes through two processes: process A and process B. The following information is available for October for process B:

	<b>Units</b>	<b>Costs</b>
Opening inventory WIP	7 500	R2 875 700
Received from process A		?
Direct material		R917 450
Conversion		R1 399 500
Received from process A	23 600	
Completed and transferred to finished goods	?	
Closing inventory WIP	6 450	
Costs incurred during October		
Received from process A		R1 758 200
Direct material		R933 000
Conversion		R729 125

The direct material was 100% completed, and the conversion cost 40% completed concerning the opening inventory WIP. The direct material is 100% completed, and the conversion cost 70% completed concerning the closing inventory WIP.

**REQUIRED:**

- 3.1 Prepare a production cost report. Use the weighted-average method to compute the equivalent units. **(18)**

**QUESTION 4****[19 MARKS]****Job costing****35 Minutes**

Grace Ltd uses a job costing system. Manufacturing overheads are absorbed based on machine hours. The budgeted figures for manufacturing overheads for December are as follows:

	<b>Department A</b>	<b>Department B</b>
Manufacturing overheads	R1 000 000	R1 500 000
Machine hours	10 000	30 000

During the first week of December, the following prime costs were incurred (and other information) on Job 345 and Job 346:

	<b>Job 345</b>	<b>Job 346</b>
Actual machine hours: Department A	30	27
Actual machine hours: Department B	20	35
Direct material (kilograms used)	70	52
Direct material (price per kilogram)	R700	R700
Direct labour:		
Department A hours (at R60 per hour)	25	33
Department B hours (at R80 per hour)	40	22

**REQUIRED:**

- 4.1 Calculate the total cost for the two jobs **(15)**
- 4.2 Calculate the selling price for each job. Grace's pricing policy is to add 80% on the cost price of each job. **(4)**

**QUESTION 5****[15 MARKS]****Flexible budget****27 Minutes**

Outside the Box Ltd is a newly established manufacturing company that specialises in wooden photo frames. The financial manager is still new to the trade and consulted you for assistance. He presented you with the following information for two different budgeted activity levels, as well as actual figures for Outside the Box Ltd:

	<b>Budget</b>	<b>Budget</b>	<b>Actual</b>
<b>Units</b>	<b>5 200</b>	<b>6 700</b>	<b>6 100</b>
Sales	R275 600	R355 100	R375 000
Raw materials	R31 200	R40 200	R45 000
Direct labour	R62 300	R62 300	R62 500
Water and electricity	R24 600	R29 100	R42 000
Factory rent	R45 000	R45 000	R45 000
Sales commission	R13 780	R17 755	R18 750
<b>Profit</b>	<b>R98 720</b>	<b>R160 745</b>	<b>R161 750</b>

**REQUIRED**

- 5.1 Classify each item in the budget as either being a variable, fixed or mixed item (income or cost). Show either a calculation or provide a short explanation to support each answer. **(6)**
- 5.2 Prepare a flexible budget to compare the actual and budgeted profit. Show the variances and indicate whether they are favourable or unfavourable. **(9)**

**Paper total [100]**