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| Description: Eastern Cape Education  **DIRECTORATE SENIOR CURRICULUM MANAGEMENT (SEN-FET)**  **HOME SCHOOLING SELF-STUDY QUESTIONS AND ANSWER BOOK**   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | **SUBJECT** | **ACCOUNTING** | **GRADE** | 11 | **DATE** | 04 May 2020 | | **TOPIC** | **Cost Accounting (Manufacturing)** | **Term 2** | | | | | **TIME ALLOCATION** | **1 Hour** | **TIPS TO KEEP HEALTHY**  1. **WASH YOUR HANDS** thoroughly with soap and water for at least 20 seconds. Alternatively, use hand sanitizer with an alcohol content of at least 60%.  2. **PRACTICE SOCIAL DISTANCING** – keep a distance of 1m away from other people.  3. **PRACTISE GOOD RESPIRATORY HYGIENE**: cough or sneeze into your elbow or tissue and dispose of the tissue immediately after use.  4. **TRY NOT TO TOUCH YOUR FACE.** The virus can be transferred from your hands to your nose, mouth and eyes. It can then enter your body and make you sick.  5. **STAY AT HOME.** | | | | | **INSTRUCTIONS** | **See Required** |   **Question 1 Manufacturing (45 marks; 60 minutes)** | | |  |
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| 1.1 | You are provided with information from the accounting records of Athletes footwear Production. They specialise in producing footwear exclusively for professional athletes. | |  |

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| **Required:** | |  |
| 1.1.1 | Calculate the amount of raw materials issued for production in 2019. | (4) |
|  |  |  |
| 1.1.2 | Calculate the Direct labour cost. | (7) |
|  |  |  |
| 1.1.3 | Prepare the following accounts in the General Ledger: |  |
|  |  |  |
|  | * Factory Overheads cost | (13) |
|  | * Work-in-Process stock | (6) |
|  |  |  |
|  | Note: Balance / close off the accounts properly on 30 June 2019. |  |

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| **Information:** | |  |
| 1. | The following balances appeared in the books of Athletes footwear Production. |  |
|  | |  |  |  | | --- | --- | --- | |  | **30 June 2019** | **1 July 2018** | | Direct/Raw material stock | 21 000 | 18 500 | | Work-in-progress stock | ? | 35 300 | | Indirect material stock | 7 800 | 7 500 | |  |
|  |  |  |
| 2. | **Transactions for the year:** |  |
|  | |  |  | | --- | --- | | Raw materials purchased during the year | 660 000 | | Carriage on purchases | 13 300 | | Factory rent paid | 70 000 | | Advertising paid | 24 500 | | Factory maintenance paid | 47 700 | | Water and electricity paid | 82 000 | | Indirect material purchased | 57 500 | | Sundry expenses paid | 28 000 | | Factory foreman salary | 89 550 | | The office assistant’s salary for the year | 133 000 | |  |

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| **3.** | **ADDITIONAL INFORMATION:** |  |

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| A | Included in the amount for raw materials are goods that were not ordered therefore returned to the suppliers, R35 500. |
|  |  |
| B | Repairs to machinery amounting to R1 950 were completed in June 2017, but will only be paid in July 2019. |
|  |  |
| C | Water and electricity is to be split between the factory, 70% and the office 30%. |
|  |  |
| D | 80% of the indirect materials were used in the factory and the rest in the office. |
|  |  |
| E | Depreciation for the year   * Office equipment, R9 500 * Factory machinery , R12 800 |
|  |  |
| F | Sundry expenses must be allocated to the floor space used. The ratio of the space used by the factory, office and sales department is 4 : 2 : 1. |
|  |  |
| G | Wages earned by the cleaner, R50 000. She spends 50% of her time cleaning the factory. |
|  |  |
| H | Three factory workers were employed. They each work 1 600 hours normal time during the year at R40 per hour. They each worked 300 hours overtime at a rate of 50% more than the normal rate. |
|  |  |
| I | The factory foreman’s salary includes her salary for July 2019 as she went on leave on 30 June 2017. She received an increase of R650 per month with effect 1 January 2017. She has been employed. |
|  |  |
| J | Goods to the value of R1 212 000 were produced during the year. |

**Question 1.2 UNIT COSTS**

**REQUIRED:**

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| --- | --- | --- |
| 1.2.1 | Calculate the unit costs for 2019 indicated as (a), (b) and (c) in the table in **information 4** below. | (3) |
|  |  |  |
| 1.2.2 | Compare the unit costs of 2019 with those of 2016. Some of the unit costs have been affected by inflation (increased prices). In each of the following cases give a possible reason (other than inflation) for the change:   * Direct materials cost per unit * Direct labour cost per unit * Factory overhead costs per unit | (6) |
|  |  |  |
| 1.2.3 | Break-even point:   * Calculate the break-even point for 2019. * Comment on the break-even point for 2019. | (4)  (2) |

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| **INFORMATION:** | |  |
| 1. | Rainbow Ties Manufacturers made and sold 44 000 Ties during the year ended 28 February 2019. They produced 35 000 Ties in the previous year. | |
| 2. | All Ties were sold at a fixed price of R45 each in 2018 and 2019. | |
| 3. | All finished items were sold. There was no work-in-process at the beginning or end of the financial year. | |
| 1. | The following total and unit costs were identified: | |

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| --- | --- | --- | --- | --- |
|  | **2019** | | **2018** | |
|  | **Total cost** | **Unit cost** | **Total cost** | **Unit cost** |
| **Variable costs:** | **R990 000** | **R22,50** | **R807 000** | **R23,05** |
| Direct materials cost | 500 000 | **(a)** | 465 000 | 13,28 |
| Direct labour cost | 320 000 | 7,27 | 208 000 | 5,94 |
| Selling and distribution cost | 170 000 | **(b)** | 134 000 | 3,82 |
| **Fixed costs:** | **328 000** | **7,45** | **292 000** | **8,34** |
| Factory overhead costs | 205 000 | **(c)** | 205 000 | 5.85 |
| Administration cost | 123 000 | 2,79 | 87 000 | 2,48 |
| **Total costs** | R1 318 000 | R29,95 | R1 099 000 | R31,40 |
| **Total no. of units produced** | **44 000** | | **35 000** | |

**Question 1.1**

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| **1.1.1 Direct material cost:**  **18 500** + **660 000** |  |
| **1.1.2 Direct labour cost:**  Normal time:  Overtime: |  |

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| **11** |

**1.1.3 GENERAL LEDGER OF ATHLETES FOOTWARE**

**Dr Factory overhead cost Cr**

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| --- | --- | --- | --- | --- | --- | --- | --- |
| 2019  Jun | 30 | **Rent** | **70 000** | 2019  June | 30 |  |  |
|  |  | **Maintenance** | **47 700** |  |  |  |  |
|  |  | **Depreciation** | **12 800** |  |  |  |  |
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**Work in process**

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**1.2 RAINBOW TIES MANUFACTURERS**

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| **1.2.1** | **Calculate the unit costs for 2019 denoted by (a), (b) and (c).** | |  | | --- | |  | | **3** | |

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| --- | --- | --- |
|  |  |  |
| **1.2.2** | **Compare the unit costs of 2019 with those of 2018. In each of the following cases give a possible reason (other than inflation) for the change:** | |  | | --- | |  | | **6** | |
|  |  |  |

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| --- | --- | --- | --- | --- |
| **1.2.3** | **Calculate the break-even point for 2019:**  **Comment on the break-even point calculated above. Should the business be satisfied with the number of units that are currently being produced? Explain.** | |  | | --- | |  | | **6** | |

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| **45** |