



## ACN203S

May/June 2011

### COST ACCOUNTING AND CONTROL (ACCOUNTING 203)

Duration    2 Hours

100 Marks

**EXAMINERS**  
FIRST

MISS JM VAN ZYL  
MS Y REYNEKE  
MR RK NZHINGA

MR WJ COETZEE

SECOND

MS SM BUCHNER

Use of a non-programmable pocket calculator is permissible.

This paper consists of 10 pages

**N.B.:**

- 1 This paper consists of FOUR (4) questions
- 2 All questions must be answered
- 3 Basic workings, where applicable, must be shown
- 4 Ensure that you are handed the correct examination answer book (blue for accounting) by the invigilator
- 5 EACH QUESTION ATTEMPTED MUST BE COMMENCED ON A NEW (SEPARATE) PAGE
- 6 The required percentage to pass this module is 50%

**PROPOSED TIMETABLE:**

Question	Subject	Marks	Time in minutes
1	Cost-volume-profit analysis (two independent parts)	20	24
2	Process costing	20	24
3	Direct and absorption costing	20	24
4	Sundry questions (three independent parts)	40	48
		100	120

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**QUESTION 1 (20 marks)(24 minutes)****THIS QUESTION CONSISTS OF TWO INDEPENDENT PARTS****PART A (15 marks)(18 minutes)**

Famba Travel Agency books their clients in Bupo Airways for flights between Johannesburg and Kruger National Park. They provided the following monthly information:

Ticket price charged by Bupo Airways	R2 000
Commission received per passenger	12,5%
Variable cost per passenger	R32,00
Fixed cost per month	R20 000
Other variable costs	
Delivery fee charged by TST Deliveries, per passenger	R18,00

**REQUIRED**

- Calculate the number of tickets Famba Travel Agency must sell per month to break-even (4)
- Calculate the number of tickets Famba Travel Agency must sell to make a profit of R12 000 per month (3)
- Assume that another delivery company offers to charge Famba Travel Agency R12,50 per passenger and 120 tickets have been sold. Calculate the profit or loss for the month using a marginal income statement (6)
- Refer to answer in (a). Calculate the margin of safety if Famba Travel Agency sells 110 tickets (2)

**PART B (5 marks)(6 minutes)**

Crooks Corner CC provided you with the following information for April 2011:

Sales	R192 000
Variable cost	R128 000
Margin of safety	R38 400

**REQUIRED**

- Calculate the fixed cost of Crooks Corner CC for April 2011 (5)

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**QUESTION 2 (20 marks)(24 minutes)**

Happy Harry (Pty) Ltd manufactures a food product in one process and uses a process costing system to account for the costs incurred in this process

The quantity statement for April 2011 is as follows

Input (Units)	Details	Output (Units)	Equivalent units			
			Material		Conversion cost	
			Units	%	Units	%
12 000	Work-in-process 1 April 2011					
8 000	Put into production					
	Completed from					
	- Opening stock	10 800	-	-	7 020	65
	- Current production	3 200	3 200	100	3 200	100
	Completed and transferred	14 000	3 200		10 220	
	Spoilage					
	- Normal Loss	2 000	-	-	-	-
	- Abnormal Loss	1 000	1 000	100	750	75
	Work-in-process 30 April 2011	3 000	3 000	100	2 700	90
20 000		20 000	7 200		13 670	

**Additional information**

- 1 Material is added at the beginning of the process and conversion costs are incurred evenly throughout the process
- 2 The company uses the first-in-first-out (FIFO) method of stock valuation
- 3 Cost information is as follows

Cost of opening work-in-process (1 April 2011)

- material R138 950

- conversion R345 572

Cost of material added during April 2011 R94 568

Conversion cost incurred during April 2011 R240 000

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**QUESTION 2 (continued)****REQUIRED**

- (a) Calculate the percentage of units that is lost due to normal wastage when the units reach the wastage point (1)
- (b) Prepare the following statements for April 2011
- (i) Production cost statement  
(Round off costs per equivalent unit to two decimal places) (3)
  - (ii) Cost allocation statement (8)
- (c) Prepare a quantity statement for April 2011 based on the following changes in the information given above
- The company uses the weighted average method of stock valuation
  - Losses occur at the beginning of the process (8)

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**QUESTION 3 (20 marks)(24 minutes)**

Koppies Ltd manufactures and sells golf gloves

The following information is available for October, November and December 2010 with regard to unit sales and production

	October	November	December
Opening stock	2 120	??	??
Production	54 000	??	??
Closing stock	??	(5 590)	??
Sales	52 870	??	??

- Sales (in units) for November decreased with 10% from October sales
- Production and sales volume (in units) for December increased with 15% from November
- Koppies Ltd uses the **first-in-first-out (FIFO)** method for stock valuation
- Selling prices, variable selling and administrative costs and variable production cost per unit remained constant

**Additional information:**

	October R	November R	December R
Sales	3 436 550	3 092 895	??
Production costs			
-Variable	2 160 000	??	??
-Fixed	1 000 000	1 050 000	1 102 500
Selling and administrative costs			
-Variable	105 740	95 166	??
-Fixed	85 000	90 000	95 000

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**QUESTION 3 (continued)****REQUIRED**

- (a) Calculate the following (in units)
- (i) Closing stock October 2010 (1)
  - (ii) Production November 2010 (2)
  - (iii) Production December 2010 (1)
  - (iv) Sales December 2010 (1)
  - (v) Closing stock December 2010 (2)
- (b) Draft the budgeted income statement for the month ended 30 November 2010 using the absorption costing method (10)
- (c) Assume the net loss according to the direct costing method is R5 143

The following information is an extract from the direct costing income statement for November 2010

Opening stock	R84 800
Closing stock	R218 848

- Reconcile the difference between the two income statements (3)

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**QUESTION 4****THIS QUESTION CONSISTS OF THREE INDEPENDENT PARTS:****PART A (15 marks)(18 minutes)**

ThuThuThu CC purchases and sells motorbikes under the brand name TTT100. They have experienced an increase in demand during May 2011 as a result of pending implementation of open road tolling system in Gauteng. The company has recorded the following transactions and balances

1 May 2011 Opening stock	50	TTT100 @ R5 500 each
5 May 2011 Purchase	200	TTT100 @ R6 000 each
10 May 2011 Sell	70	TTT100 @ R7 500 each
15 May 2011 Purchase	100	TTT100 @ R6 200 each
20 May 2011 Sell	100	TTT100 @ R8 000 each
25 May 2011 Sell	30	TTT100 @ R8 000 each
27 May 2011 Purchase	50	TTT100 @ R6 500 each

**REQUIRED**

- (a) Calculate the gross profit/(loss) for the period ended **31 May 2011** if ThuThuThu CC uses **First-in-First-out (FIFO)** method of stock valuation (10)
- (b) Calculate the cost per TTT100 as on **15 May 2011** if ThuThuThu CC uses the **Weighted Average** method of stock valuation (Round off to the nearest Rand) (5)

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**QUESTION 4 (continued)****PART B (10 marks)(12 minutes)**

Toy (Pty) Ltd manufactures a single product and uses a standard costing system

<b>Standard variable cost per product is as follows</b>	<b>R</b>
Direct Material (4kg @ R43 per kg)	172
Direct Labour (5 hours @ R25 per hour)	125
Variable manufacturing overhead which vary with hours worked (5 hours @ R 5 per hour)	25
Standard variable manufacturing cost	<u>322</u>

<b>Actual results for the month:</b>	<b>R</b>
Direct Material @ R 43,10 per kg	851 225
Direct Labour @ R 24,50 per hour	673 750
Variable manufacturing overhead @ R 4,50 per hour	123 750
	<u>1 648 725</u>

Units manufactured during the month	5 000
Labour hours worked during the month	?

**REQUIRED**

Calculate the following for the month

- |   |      |
|---|------|
| (a) Quantity of hours worked during the month     | (1)  |
| (b) Labour efficiency variance                    | (2½) |
| (c) Material quantity variance                    | (2½) |
| (d) Material purchase price variance              | (2½) |
| (e) Variable manufacturing overhead rate variance | (1½) |

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**QUESTION 4 (continued)****PART C (15 marks)(18 minutes)**

Silly Sally (Pty) Ltd manufactures catering equipment according to client requirements  
The following information is available regarding March 2011

<b>1. Opening balances (general ledger)</b>	<b>R</b>
Work-in-process Job 1	23 540
Material control	10 120
<b>2 Materials issued to production during March 2011</b>	
Job 1	45 000
Job 2	23 000
Job 3	9 300
<b>3 Indirect material purchases during March 2011 (budgeted and actual)</b>	6 300
<b>4 Actual labour costs incurred during March 2011</b>	
Direct labour (900 hours @ R200 per hour)	180 000
Factory supervisor salary (budgeted R2 000)	2 200
<b>5 Other manufacturing overheads for March 2011</b>	
Budgeted	42 550
Actual	51 050
<b>6 Machine hours per job for March 2011</b>	

Job	Budgeted	Actual
1	160	180
2	280	250
3	10	12

**7. Other information**

- Overheads are allocated to jobs based on machine hours
- In March 2011, Job 1 used 20% of the actual labour hours worked and accounted for 30% of the actual overhead costs for March 2011
- Job 1 was completed and sold in March 2011 for R160 000
- Direct material purchases in March 2011 amounted to R100 000

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**QUESTION 4 (continued)****PART C (continued)****REQUIRED:**

- (a) Prepare the general ledger account for material control (show all balances and movements in material for March 2011) (4)
- (b) Calculate the gross profit or loss on Job 1 (7)
- (c) Calculate the manufacturing overheads over/under-applied for Job 1 and indicate whether this amount will be debited or credited in the Cost of Sales account (4)