



UNIVERSITY  
OF  
JOHANNESBURG

Department of Commercial Accounting

## Costing and Estimating 1B

BKM/FPP11B1, CAE 01B1 and FPO 0BB1

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**FIRST ASSESSMENT OPPORTUNITY**

**12<sup>th</sup> November 2017**

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**Time: 120 minutes**

**Marks 100**

**Assessors:** Mrs R Benedict, Mr M Karodia

**Moderator:** Mrs O Takawira (Internal)

### INSTRUCTIONS:

- This paper consists of 8 pages (including the cover page)
- 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	Introduction to Job and Process costing	20	25 minutes
2	Process Costing	20	25 minutes
3	Master Budgets	30	35 minutes
4	Cash Budgets	30	35 minutes
		<b>100</b>	<b>120 minutes</b>

**QUESTION 1.1****(5 marks)**

Fill in the missing word/s. Give only the answers.

1. \_\_\_\_\_ is a document or a computer file with information about a particular job.
  
2. \_\_\_\_\_ are losses over and above 3. \_\_\_\_\_ that happens during the production process.
  
4. \_\_\_\_\_ occurs when actual output exceed expected output.
  
5. \_\_\_\_\_ is used where a large number of homogenous products are manufactured in the same production process.

**QUESTION 1.2****(15 marks)**

Gerald Kai is a company involved in repairing and servicing of car from General Motors. Their operations are designed to cater for client specifications.

The following information is available in respect of October 2017:

1. Opening balance on 1 January 2015 : Job T                      R18 400
  
2. Materials were issued as follows:
  - a. Job T    R19 100
  - b. Job W    R17 300
  - c. Job R    R14 800
  
3. Labour costs incurred during the month:
  - a. Job T    88 hours @ R350 per hour
  - b. Job W    72 hours @ R320 per hour
  - c. Job R    53 hours @ R440 per hour
  
4. Manufacturing overheads for the month:
  - a. Job T    R15 700
  - b. Job W    R14 000
  - c. Job R    R12 350
  
5. Job T and Job R were completed during the month and invoiced to the clients at a selling price of R96 000 and R77 500, respectively.

**Required:**

Prepare a job cost card for all jobs at the end of October 2017 and calculate the profit/loss on Job T and Job R.

**(15)**

**QUESTION 2****(20 marks)**

Blackcurrant (Pty) Ltd manufactures cough mixtures and makes use of a process costing system.

They use two ingredients to make the cough mixture.

Material A gets added at the beginning of the process and Material B when the process is 50% complete. Conversion costs are incurred evenly throughout the process.

The following cost and production details are available for June 2017.

<b>Production:</b>	
Opening WIP (45% complete)	15 600 bottles
Closing WIP ( 30% complete)	16 600 bottles
Units added during the process	68 000 bottles

**Costs**

Opening WIP	- Material	Material A	R 17 400
	- Conversion Costs	Material B	13 460
Current Costs	- Material	Material A	15 960
	- Conversion Costs	Material B	R 192 300
			143 800
			172 260

**Required:**

Prepare the first four (4) steps of the Production and Cost Statement for 31<sup>st</sup> May 2017, using the FIFO method.

**QUESTION 3****(30 marks)****PART A**

3.1 Provide 5 advantages of preparing a budget (5)

**PART B**

XY (Pty) Ltd specialises in manufacturing two products, namely X and Y. The management has presented you with the following budgeted information for the financial year ending on the 31<sup>st</sup> Decemeber 2018.

	<b>X</b>	<b>Y</b>
Price per unit	R25	R22
Expected number of units to be sold	500 000	250 000
Inventory on hand (units)		
Opening inventory	NIL	5 700
Closing inventory	2 250	4 000
Raw material required to manufacture A and B :		
A @ R10 per kg	10 kg	8 kg
B @ R8 per kg	5 kg	7 kg
Labour requirement	10 hours @ R18	8 hours @ R13
Budgeted manufacturing overhead	R720 000	R350 000

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

	<b>A</b>	<b>B</b>
Inventory on hand:		
Opening Inventory	27 300 kg	25 500 kg
Closing Inventory	19 100 kg	21 700 kg

**Additional information:**

The budgeted manufacturing overheads are applied using direct labour hours.

**Required:**

Prepare the following budgets for the year ending 31<sup>st</sup> December 2018:

- |       |  |      |
|-------|--|------|
| 3.2.1 | The sales budget for both products.                  | (2)  |
| 3.2.2 | The production budget for both products.             | (4)  |
| 3.2.3 | The material usage and purchases budget.             | (11) |
| 3.2.4 | The direct labour budget for both products.          | (4)  |
| 3.2.5 | The manufacturing overhead budget for both products. | (4)  |

**QUESTION 4****(30 marks)**

The management of Angie Limited has decided to prepare a cash budget for March and April 2018.

The following forecasts are available for the two months ending April 2018:

	<b>Total purchases</b>	<b>Total sales</b>	<b>Overhead costs</b>	<b>Wages</b>
<b>January Actual</b>	R 85 000	R170 000	R 0	R 0
<b>February Actual</b>	R90 000	R180 000	R56 000	R35 000
<b>March</b>	R60 000	R190 000	R44 000	R34 000
<b>April</b>	R110 000	R185 000	R36 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 7% discount;
- b) 40% of total sales is for cash and the remainder is credit sales;
- c) Debtors pay their accounts as follows:
  - a. 70% pay the month after sales and will receive a 7% discount,
  - b. 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 1<sup>st</sup> March 2018 is estimated to be R92 650.

**Required:**

Prepare the cash budget for March and April 2018.  
Show all calculations.

**(30)**