

**ACCOUNTING 2020**

**TOPIC TESTS**

**QUESTION 1 COST ACCOUNTING (45 marks)**

**1.1 COST ACCOUNTING CONCEPTS**

 **REQUIRED**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| Choose a description in COLUMN B to match the concept in COLUMN A. Write only the letter (A – D) next to the number (1.1.1 – 1.1.3) in the ANSWER BOOK.

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| --- | --- |
| **COLUMN A** | **COLUMN B** |
| 1.1.1 | Direct material | A | The varnish purchased to use on the school desks |
| 1.1.2 | Indirect material | B | The carpenter in the factory’s salary |
| 1.1.3 | Indirect labour | C | The wood purchased to produce school desks  |
|  |  | D | The salary of the factory foreman |

 | (3) |

**1.2 FASHIONISTA BAGS**

Fashionista Bags manufactures handbags. They sell their bags at a mark-up of 100% on cost. The information given was taken from their financial records on 31 July 2019, the end of the financial year.

**REQUIRED**

|  |  |  |
| --- | --- | --- |
| 1.2.1 | Complete the following notes for the year ended 31 July 2019: |  |
|  | (a) | Direct materials | (7) |
|  | (b) | Factory overhead cost | (16) |
| 1.2.2 | Prepare the Production Cost Statement for the year ended 31 July 2019 (show calculations in brackets where no notes are required) | (12) |

**INFORMATION**

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| A | The following balances were appeared in the books:

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| --- | --- | --- |
|  | **31 July 2019** | **1 August 2018** |
| Direct material | ? | R810 000 |
| Work in process | ? | R20 200 |
| Finished products | R490 000 | R320 000 |
| Indirect materials | R64 000 | R25 000 |

 |
| B | **Direct material** |
|  |  | Raw materials purchased, R1 650 000. |
|  |  | Import duties are 20% of the material cost. |
|  |  | Damaged materials worth R24 000 were returned to the supplier. |
|  |  | Raw materials issued to the factory, R1 542 000. |
| C | **Direct labour** |
|  |  | The monthly basic salaries of the factory workers is R80 000. During November they earned an additional R25 000 in overtime. |
|  |  | The employer’s contribution to the UIF amounts to 1% of their basic salaries. |
| D | **Additional information** |
|  |  | **Indirect materials:** Purchases during the financial year, R217 000. 80% are allocated to the factory. |
|  |  | **Indirect labour:** The factory foreman received an annual salary of R227 250. |
|  |  | **Factory rent:** The rent expense reflected in the trial balance on 31 July 2019 was R124 200. The rent increase annually with 10% on 1 January. The rent for August 2019 has already been paid. |
|  |  | The water and electricity for the financial year was R120 000. This is divided between the factory, office and sales department in the ratio 4:1:1. |
|  |  | Maintenance on factory equipment amounts to R125 per hour. A total of 480 maintenance hours were recorded. |
|  |  | Depreciation on factory equipment amounted to R74 000. |
|  |  | A total of 5 216 handbags were manufactured during the financial year at a cost of R620 per bag. |

**1.3 JERRY’S JERSEY’S**

Jeremy Franks produces jerseys. The financial year ended on 30 June 2019.

 **REQUIRED**

|  |  |  |
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| 1.3.1 | Calculate the number of jerseys that must be produced in order to break even in the 2019 financial year. | (4) |
| 1.3.2 | Would Jeremy be satisfied with his factory’s level of production? Explain. Quote figures to support your answer. | (3) |

**INFORMATION**

Information for the financial year ended 30 June 2019:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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|  |  | **TOTAL** |
| **Fixed costs:** |  |  |
|  | Factory overhead cost |  | R184 510 |
|  | Administration cost |  | 55 250 |
|  |  |  | 239 760 |
|  |  |  |  |
| **Variable costs:** | **Per unit** | **TOTAL** |
|  | Direct material cost | R76,50 | R260 100 |
|  | Direct labour cost | 44,20 | 150 280 |
|  | Selling and distribution cost | 14,50 |  49 300 |
|  |  | 135,20 | 459 680 |
|  |  |  |  |
| * Number of jerseys produced and sold during the year, 3 400.
* Selling price per unit, R200
 |

**45****1.1 COST ACCOUNTING CONCEPTS**

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| **1.1.1** |  |  |  |
| **1.1.2** |  | **3** |  |
| **1.1.3** |  |  |  |

**1.2 FASHIONISTA BAGS****1.2.1 Complete the following notes for the year ended 31 July 2019:****(a) Direct materials**

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**(b) Factory overhead cost**

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|  |  | **16** |

**1.2.2 Production cost statement for the year ended 31 July 2019**

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|  |  | **12** |

**1.3 JERRY’S JERSEYS**

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| --- | --- | --- |
| **1.3.1** | **Calculate the number of jerseys that must be produced in order to break even in the 2019 financial year.** | **4** |
| **1.3.2** | **Would Jeremy be satisfied with his factory’s level of production? Explain. Quote figures to support your answer.**  | **3** |

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| **QUESTION 2: MANUFACTURING (40 marks)** |
|  |  |
| 2.1 | **BHUGA MANUFACTURERS** |
|  |  |
|  | Bhuga Manufacturers is a manufacturing business that produces one style of jersey. The financial year ended on 30 June 2019. |  |
|  |  |  |
|  | **REQUIRED:** |  |
|  |  |  |
|  | 2.1.1 | Calculate the following: |  |
|  |  |  |  |
|  |  | * Direct material cost
 | (4) |
|  |  | * Direct labour cost
 | (9) |
|  |  |  |  |
|  | 2.1.2 | Prepare the Production Cost Statement for the year ended 30 June 2019. | (9) |
|  |  |  |  |
|  | 2.1.3 | The accountant is of the opinion that the workers are not properly supervised. |  |
|  |  | * Identify TWO separate problems relating to the supervision of workers. Quote figures to support your answer.
 |  |
|  |  | * In EACH case, provide a solution.
 | (6) |
|  |  |  |  |
|  | **INFORMATION:** |  |
|  |  |  |  |
|  | **A.** | **Stock balances:**

|  |  |  |
| --- | --- | --- |
|  | **30 JUNE 2019** | **1 JULY 2018** |
| Raw material stock | R 314 550 | R 115 200 |
| Work-in-process stock | **?** | 22 416 |

 |  |
|  |  |  |  |
|  | **B.** | Raw materials are purchased only on credit. Invoices totalling R723 600 were received for the financial year. |  |
|  |  |  |  |
|  | **C.** | The business employs FIVE factory workers, with the following conditions:* they must work 8 hours normal time per day for 5 days a week,
* 48 weeks a year, and
* they must produce two jerseys an hour during normal and overtime.
 |  |
|  |  | Details relating to total number of hours worked by workers and remuneration rates for the financial year ended 30 June 2019:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **HOURS PER WORKER** | **RATE PER HOUR** | **NUMBER OF WORKERS** | **TOTAL** |
| Normal time | 1 680 | R47 | 5 | ? |
| Overtime | 1 152 | R94 | 5 | R 541 440 |
|  | 2 832 |  |  | **?** |
| **NOTE:** Employers’ contribution: 11,5% of normal wage. |

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|  | **D.** | Factory overhead cost for the year amounted to R117 684. |  |
|  |  |  |  |
|  | **E.** | **Additional information**The business produced 22 400 jerseys during the financial year, at a unit cost of R55. |  |

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| 2.2 | **MVULA SQUEEZE BOTTLE MANUFACTURERS** |  |
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|  | Mvula Squeeze Bottle Manufacturers produces and sells squeeze bottles. The business is owned by Nomvula Sithole.  |  |
|  |  |  |  |
|  | **REQUIRED:** |  |
|  |  |  |  |
|  | 2.2.1 | Calculate the break-even point for year ended 31 July 2019. | (5) |
|  |  |  |  |
|  | 2.2.2 | Explain whether the business should be satisfied with the level of production achieved. Quote figures.  | (3) |
|  |  |  |  |
|  | 2.2.3 | Except for a general increase in wages, give TWO reasons for the increase in direct labour costs per unit. In each case, provide a practical solution to address this. | (4) |
|  |  |  |  |
|  | **INFORMATION:** |  |
|  |  |  |  |
|  | The following information was taken from the books: |  |
|  |  |  |  |
|  |  | **31 JULY 2019** | **31 JULY 2018** |  |  |
|  | Direct material cost per unit | R10 | R13 |  |  |
|  | Direct labour cost per unit | R12 | R9 |  |  |
|  | Variable cost per unit | R25  |  |  |  |
|  | Total fixed costs | R 210 000 |  |  |  |
|  | Sales for the year (All units produced were sold) | R 480 000 |  |  |  |
|  | Number of bottles produced and sold | 12 000 units  | 11 500 units  |  |  |

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| **QUESTION 2** |  |  |
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| **2.1.1** | **DIRECT MATERIAL COST** |  |
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|  | **DIRECT LABOUR COST** |  |
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| **2.1.2** | **PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 JUNE 2019** |  |
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| **2.1.3** | **The accountant is of the opinion that workers are not properly supervised.** |  |
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| **Problem 1** |  |  |
| **Problem 2** |  |  |

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| **2.2.1** | **Calculate the break-even point for the year ended 31 July 2019.** |  |
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|  |
| **5** |

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| **2.2.2** | **Explain whether the business should be satisfied or not with the level of production achieved. Quote figures.**  |  |
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|  |
| **3** |

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| **2.2.3** | **Give TWO reasons for the increase in direct labour costs per unit, excluding a general increase in wages. In each case, provide a practical solution to address this.**  |  |
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**QUESTION 3: MANUFACTURING (40 marks)****CONCEPTS****REQUIRED**: |
|  |  |
| 3.1 | Choose a cost category from the list provided for each of the expenses listed below.Write only your answer next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK. |

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|  |  |  |  |
|  | **Factory overhead cost; Administration cost; Direct labour cost;** **Direct material cost; Selling and distribution cost** |  |
|  |  |  |
|  | 3.1.1 | Wages paid to employees in the production process |  |
|  |  |  |
|  | 3.1.2 | The wages paid to staff for the cleaning of the factory |  |
|  |  |  |
|  | 3.1.3 | The telephone and fax used in the office |  |
|  |  |  |
|  | 3.1.4 | Transport cost of raw materials delivered to the factory | (4) |

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| 3.2 | **THE NUTTY DELIGHT FACTORY SHOP**The Nutty Delight Factory Shop manufactures nutty snacks. The business is owned and managed by Romi Goni.**REQUIRED:** |
|  |  |
|  | 3.2.1 | Calculate the value of the raw materials that were issued to the factory for the year ended 30 June 2019. | (9) |
|  |  |  |  |
|  | 3.2.2 | Prepare the Production Cost Statement for the year ended 30 June 2019.  | (14) |
|  |  |  |  |
|  | 3.2.3 | The Nutty Delight Factory shop buys mainly from overseas suppliers. Upon investigation, it was found that most of the nuts used in the production process can be obtained from local suppliers.Explain ONE possible reason why a local supplier should be used.  | (2) |
|  |  |  |  |
|  | 3.2.4 | Romi Goni plans to increase profits by reducing costs. Romi intends to replace the more expensive nuts with peanuts but still sell the snacks at R40 each.Should Romi carry out this plan? Explain ONE valid reason for your decision.  | (3) |

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| **INFORMATION:** |
|  |  |  |  |
| **A.** | **Balances** |
|  |  |
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| --- | --- | --- |
|  | **30 June 2019** | **30 June 2018** |
| Raw materials stock | R310 000 | R325 000 |
| Work-in-progress | R94 000 | ? |
| Finished goods | R201 000 | R285 000 |

 |
| **B.** | **Unit costs for the year** |

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
| Cost price of each finished unit manufactured during the financial year | R21,25 |  |
| Number of units produced and sold | 80 000 | 60 000 |

|  |  |
| --- | --- |
| **C.** | **The following totals appeared in the General Ledger:** |
|  |  |
|  | * Factory Overhead Costs, R280 750
* Administration Costs, R296 000
* Selling and Distribution Costs, R280 000
* Sales, R3 200 000
 |
| **D.** | **Raw Materials** |
|  |  |
|  | Raw materials were bought during the year on credit for R1 093 400. Cashew nuts are imported. An invoice for the purchases was not recorded. The details are as follows:* Cost of cashew nuts is $1 375. One US dollar is equivalent to R16,00.
* Import duty is 10 %.
* Transport costs paid, R7 400
 |
| **E.** | **Salaries and Wages** |
|  |  |
|  | Salaries and wages amount to R400 000 for the financial year. 65% is for wages paid to employees who work directly on the manufacturing of the nutty snacks.  |
|  |  |
| **F.** | **Electricity** |
|  |  |
|  | Payments for electricity, R50 000, is split between the factory, administration and the sales and distribution departments in the ratio of 5 : 1 : 2. The amount allocated for electricity has not been recorded. |
|  |  |

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| 3.3 | **JADEN STORES** |
|  |  |
|  | Jaden Stores manufactures and packs gift packs. The financial year ends on 28 February. |  |
|  |  |  |
|  | **REQUIRED:** |  |
|  |  |  |  |
|  | 3.3.1 | Calculate the break-even point for 2019. | (5) |
|  |  |  |  |
|  | 3.3.2 | Explain whether the owner should be concerned. Provide figures. | (3) |
|  |  |  |  |
|  | **INFORMATION:** |  |
|  |  |  |
| **A.** | The business produced and sold 4 600 gift packs during the year. |  |
|  |  |  |
| **B.** | The selling price of each gift pack is R693,00 |  |

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| **C.** | The following costs were identified for 2019: |  |
|  |  |  |
|  |  |  |  |
|  |  | **Cost** | **Total** | **Unit Cost** |  |
|  |  |  | R | R |  |
|  |  | Prime cost | 3 726 000 | 207,00 |  |
|  |  | Direct material cost | 2 214 000 | 123,00 |  |
|  |  | Direct labour cost | 1 512 000 | 84,00 |  |
|  |  | Factory overhead cost | 1 026 000 | 57,00 |  |
|  |  | Selling and distribution cost | 1 733 400 | 96,30 |  |
|  |  | Administration cost | 594 000 | 49,50 |  |

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**QUESTION 3: MANUFACTURING, CONCEPTS AND NOTES**

**CONCEPTS**

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| **3.1** | **Choose the cost category.** |

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| **3.1.1** |  |  |
| **3.1.2** |  |  |
| **3.1.3** |  |  |
| **3.1.4** |  |  |

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**3.2 THE NUTTY DELIGHT FACTORY SHOP**

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| **3.2.1** | **Calculate the value of the raw materials that were issued to the factory for the year ended 30 June 2019.** |

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| **3.2.2** | **Prepare the Production Cost Statement for the year ended 30 June 2019.**

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| --- |
| **THE NUTTY DELIGHT FACTORY SHOP** |
| **PRODUCTION COST STATEMENT FOR THE YEAR ENDED 30 JUNE 2019** |
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|  | **(94 000)** |
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| **14** |

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| **3.2.3** | **The Nutty Delight Factory shop buys mainly from overseas suppliers. Upon investigation, it was found that most of the nuts used in the production process can be obtained from local suppliers.****Explain ONE possible reason why a local supplier should be used.**  |

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| **3.2.4** | **Romi Goni plans to increase profits by decreasing costs. Romi intends to replace the more expensive nuts with peanuts but still sell the snacks at R40 each.****Should Romi carry out this plan?**   |

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**3.3 JADEN STORES**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **3.3.1** | **Calculate the break-even point for 2019.** |

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| **3.3.2** | **Explain whether the owner should be concerned. Provide figures.** |

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| **QUESTION 4: MANUFACTURING** *.* **(35 marks)** |
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|  | **GELEZA NATHI** |  |
|  |  |  |
|  | You are provided with information relating to Geleza Nathi Factory on 28 February 2019, the financial year-end. |  |
|  |  |  |
|  | **REQUIRED:** |  |
|  |   |  |
|  | 4.1 | Calculate the following for the year ended 28 February 2019: |  |
|  |  |  |  |
|  |  | * Direct material cost
 | (6) |
|  |  |  |  |
|  |  | * Direct labour cost
 | (3) |
|  |  |  |  |
|  | 4.2 | Prepare the Factory Overhead Cost note on 28 February 2019. | (14) |
|  |  |  |  |
|  | 4.3 | **Refer to information C.** |  |
|  |  |  |  |
|  |  | 4.3.1 Do a calculation to confirm the break-even point (BEP) for  2019. | (4) |
|  |  |  |  |
|  |  | 4.3.2 Comment on the level of production and the break-even point (BEP). Quote figures. | (4) |
|  |  |  |  |
|  | 4.4 | The cost of direct material has increased significantly per unit. Give TWO possible reasons for this increase (besides inflation). Provide ONE point of advice on how this cost can be better controlled. | (4) |
|  |  |  |
|  | **INFORMATION:** |  |
|  |  |  |
|  | 1. **STOCK ON 28 FEBRUARY:**

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
| Direct material | 324 900 | 468 000 |

* Note that the business does not have work-in-progress stock as goods are produced to order.
 |  |
|  | 1. **TRANSACTIONS FOR THE YEAR ENDED 28 FEBRUARY 2019**

|  |  |
| --- | --- |
| Purchases: Direct materials | 2 690 600 |
|  Consumable stores  | ? |
| Carriage on purchases: Direct materials | 39 900 |
| Returns: Direct materials | 23 600 |
| Salary: Foreman | 325 000 |
| Insurance | 56 000 |
| Water & electricity |  ? |
| Advertising | 12 970 |

 |  |

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| **C. UNITS COSTS, PRODUCTION, SALES AND BREAK-EVEN POINT**

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016** |
| **FIXED COSTS PER UNIT** | **R35** | **R36** |
| **VARIABLE COSTS PER UNIT** | **R145** | **R135** |
| Direct material  | ? | R81 |
|  Direct labour | ? | R40 |
|  Selling and distribution | R11 | R14 |
| Number of units produced and sold | 30 000 | 27 000 |
| Selling price per unit | R195 | R195 |
| Break-even units (number) | 21 000 | 16 200 |

 |
|  |
| **D. Additional information and adjustments:** |
| * Prime/direct cost for the year amounted to R4 020 000.
 |
|  |
| * Consumable stores used during this financial year amounted to R100 250.

80% of this expense must be allocated to the factory. |
| * Twenty casual workers were employed at R50 per hour during peak periods over the year. Fifteen (15) of these workers were placed in the factory providing cleaning and maintenance functions while the rest assisted in the Sales and Administrative Departments. They each worked a total of 100 hours during that period.
 |
|  |
| * R11 200 of the insurance premiums must be allocated to the Sales & Administrative Departments.
 |
|  |
| * The water and electricity expenses for the sales and administrative departments amounted to R150 000. This is two-fifths (2/5) of the total water and electricity expense.

|  |  |
| --- | --- |
| **QUESTION 4** |  |
| **4.1** | **Calculate the following for the year ended 28 February 2019:** |  |
|  |  |  |
|  | **Direct material cost** |

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|  |  |  |
|  | **Direct labour cost**  |

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| **4.2** |

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| **Factory Overhead Costs for the year ended 28 February 2019** |
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| **4.3.1** | **Do a calculation to confirm the break-even point (BEP) in 2019.**  |

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| **4.3.2** | **Comment on the level of production and the break-even point (BEP). Quote relevant figures.** |

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| **4.4** | **The cost of direct material has increased significantly per unit. Give TWO possible reasons for this increase (besides inflation). Provide ONE point of advice on how this cost can be better controlled.**

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|  | **QUESTION 5 MANUFACTURING (50 Marks)** |  |  |
|  |  |  |  |  |  |
|  | **5.1** | **CONCEPTS** |  |  |
|  |  |  |  |  |  |
|  |  | Choose the cost category for examples below. Write only the cost category next to the question number (5.1.1- 5.1.4) in the ANSWER BOOK. |  |  |
|  |  |  |  |  |  |
|  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Selling and distribution cost; direct labour cost; administration cost; factory overhead cost; direct material cost. |  |  |  |  |

 |
|  |  |  |  |  |
|  |  | **5.1.1** | Electricity paid for factory buildings. |  |  |
|  |  |  |  |  |  |
|  |  | **5.1.2** | Salaries paid to the sales personnel |  |  |
|  |  |  |  |  |  |
|  |  | **5.1.3** | Cost of raw materials used in the production process |  |  |
|  |  |  |  |  |  |
|  |  | **5.1.4** | Sundry expenses paid for the office. |  | (4) |
|  |  |  |  |  |  |
|  | **5.2** | **ZANDILE MANUFACTURERS** |  |
|  |  |  |  |  |  |  |
|  |  | You are provided with information relating to Zandile Manufacturers for the year ended 28 February 2019. The business produces one type of air conditioner. |  |
|  |  |  |  |  |  |
|  |  | **REQUIRED:** |  |  |
|  |  |  |  |  |  |
|  |  | **5.2.1** | Calculate the Direct Material Cost |  | (6) |
|  |  |  |  |  |  |
|  |  | **5.2.2** | Calculate the Factory Overhead Cost |  | (17) |
|  |  |  |  |  |  |
|  |  | **5.2.3** | Prepare the Production Cost Statement for the year ended 28 February 2019. |  | (13) |
|  |  |  |  |  |  |

**INFORMATION:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **A.** | **The following balances appeared among others in the books of the business:** |  |  |
|  |  |

|  |  |  |
| --- | --- | --- |
|  | **28 February 2019** | **1 March 2018** |
| Raw material stock | R86 000 | R180 000 |
| Work-in-process stock | ? | R150 000 |
| Finished good stock | R170 000 | R500 000 |
| Indirect material: factory | R18 000 | R25 000 |
| Administration cost | R13 000 | - |

 |  |  |
|  |  |  |  |  |
|  | **B.** | **Summary of transactions:** |  |  |
|  |  |

|  |  |
| --- | --- |
| Raw material purchased | R400 000 |
| Raw materials returned to suppliers | R7 000 |
| Carriage on raw materials paid | R5 000 |
| Total salaries and wages paid | R350 000 |
| Water and electricity paid | R98 000 |
| Factory indirect materials purchased | R35 000 |
| Sundry expenses paid | R85 600 |
| Rent expenses paid | R56 500 |

 |  |  |
|  | **C.** | **The salaries and wages amount is distributed as following:** |  |  |
|  |  | * 50% to employees who work directly on the production process
 |  |  |
|  |  | * 20% to indirect labour
 |  |  |
|  |  | * 15% to administrative staff
 |  |  |
|  |  | * 15% to sales and distribution staff
 |  |  |
|  |  | The employer contributes 8% to the pension fund and 1% to the UIF on behalf of each employee. |  |  |
|  |  |  |  |  |
|  | **D.** | **Water and electricity** |  |  |
|  |  | * The water and electricity bill is shared among the factory, administration and sales section in the ratio 4:3:1.
 |  |  |
|  |  |  |  |  |
|  | **E.** | **Indirect materials:** |  |  |
|  |  | * Indirect materials costing R9 000 were transferred from the factory to the administration office.
 |  |  |
|  |  |  |  |  |
|  | **F.** | **Rent expenses** |  |  |
|  |  | * Rent amount for February 2019, R 5 500 will only be paid in March 2019.
 |  |  |
|  |  | * Rent is allocated according to floor area as follows:

 Factory 1 200m², administration 100m² and selling and distribution 300m² |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  | **G.** | Cost of sales was correctly calculated at R1 200 000. |  |  |

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|  | **5.3** | **Mamma’s Bakery** |  |  |
|  |  |  |  |  |
|  |  | The following information was extracted from the books of Mamma’s Bakery for the year ended on 28 February 2019. The bakery is owned by Alwande Mbatha.  |  |  |
|  |  |  |  |  |
|  |  | **REQUIRED:** |  |  |
|  |  |  |  |  |
|  |  | **5.3.1** | Calculate the Break-even point for 2019. |  |  (4) |
|  |  |  |  |  |  |
|  |  | **5.3.2** | Explain why the owner should be concerned about the break-even point. Provide TWO points. |  |   (4) |
|  |  |  |  |  |  |
|  |  | **5.3.3** | Provide one reason for the decrease in the Direct Material Cost. |  |  (2) |
|  |  |  |  |  |
|  |  | **INFORMATION:** |  |  |
|  |  |  |  |  |
|  |  | **Fixed and variable cost** |  **2019** |  **2018** |  |  |
|  |  |  | **Total** | **Per unit** | **Per unit** |  |  |
|  |  | Variable costs: Direct Materials | R91 500 | R7.50 |  R8.00 |  |  |
|  |  | :Direct Labour | R73 200 |  R6.00 |  R5.70 |  |  |

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|  | **C. UNITS COSTS, PRODUCTION, SALES AND BREAK-EVEN POINT**

|  |  |  |
| --- | --- | --- |
|  | **2019** | **2018** |
| **FIXED COSTS PER UNIT** | **R35** | **R36** |
| **VARIABLE COSTS PER UNIT** | **R145** | **R135** |
| Direct material  | ? | R81 |
|  Direct labour | ? | R40 |
|  Selling and distribution | R11 | R14 |
| Number of units produced and sold | 30 000 | 27 000 |
| Selling price per unit | R195 | R195 |
| Break-even units (number) | 21 000 | 16 200 |

 |  |
|  |  |  |
|  | **D. Additional information and adjustments:** |  |
|  |  |  |
|  | * Prime/direct cost for the year amounted to R4 020 000.
 |  |
|  |  |  |
|  | * Consumable stores used during this financial year amounted to R100 250.

80% of this expense must be allocated to the factory. |  |
|  |  |  |
|  | * Twenty casual workers were employed at R50 per hour during peak periods over the year. Fifteen (15) of these workers were placed in the factory providing cleaning and maintenance functions while the rest assisted in the Sales and Administrative Departments. They each worked a total of 100 hours during that period.
 |  |
|  |  |  |
|  | * R11 200 of the insurance premiums must be allocated to the Sales & Administrative Departments.
 |  |
|  |  |  |
|  | * The water and electricity expenses for the sales and administrative departments amounted to R150 000. This is two-fifths (2/5) of the total water and electricity expense.
 |  |
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|  | **QUESTION 5** |  |  |
|  |  |  |  |  |
|  | **5.1** |  |  |  |
|  |  | **5.1.1** |  |  |  |
|  |  | **5.1.2** |  |  |  |
|  |  | **5.1.3** |  |  |  |
|  |  | **5.1.4** |  |  | **4** |
|  |  |  |  |  |  |
|  | **5.2.1** | **Calculate the Direct Material Cost** |  |  |
|  |  | **Opening stock** | **180 000** |  |  |
|  |  |  |  |  |  |
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|  | **5.2.2** | **Calculate the Factory Overhead Cost** |  |  |
|  |  | **Depreciation** | **32 000** |  |  |
|  |  | **Sundry expenses (85 600 – 2 600) x 60/100** | **49 800** |  |  |
|  |  |  |  |  |  |
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|  |  |  |  |  | **17** |

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|  | **5.2.3** | **Production cost statement for the year ended 28 February 2019.** |  |  |
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|  | **5.3.1** | **Calculate the Break-even point for 2019.** |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  | **4** |
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|  | **5.3.2** | **Explain why the owner should be concerned about the break-even point. Provide TWO points.** |  |  |
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|  |  |  |  | **4** |
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|  | **5.3.3** | **Provide one reason for the decrease in the Direct Material Cost.** |  |  |
|  |  |  |  |  |
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|  |  |  |  | **2** |

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| **QUESTION 6: MANUFACTURING- UNIT COSTS (35 marks)** |
|  |  |  |
| 6.1 | **FUNKY FURNITURE** |  |
|  |  |  |
|  | The business manufactures modern furniture. |  |
|  |  |  |
|  | **REQUIRED:** |  |
|  |  |  |
|  | Prepare the Production Cost Statement on 31 August 2019. Show ALL workings in brackets. | (21) |
|  |  |  |
|  | **INFORMATION:** |  |
|  |  |  |
|  | **A.** | Totals on 31 August 2019: |  |
|  |  |  |  |
|  |  |  | **R** |  |
|  |  | Administration cost | 1 140 000 |  |
|  |  | Direct material cost | 2 928 000 |  |
|  |  | Direct labour cost | 2 265 000 |  |
|  |  | Factory overhead cost | 1 326 240 |  |
|  |  | Selling and distribution cost | 657 600 |  |
|  |  | Work-in-process: 1 September 2018 | 222 000 |  |
|  |  |  31 August 2019 | **?** |  |
|  |  | Total cost of production of finished goods | 6 538 000 |  |
|  |  |  |
|  | **B.** | Additional information and adjustments. |  |
|  |  |  |  |
|  |  | * Funky Furniture’s bookkeeper recorded an invoice of R34 000 for wood supplies from Silverton Wood Suppliers twice.
 |  |
|  |  |  |  |
|  |  | * The factory overhead cost includes the full amount of

R187 200 for rent. The production part represents 66⅔% of the building. The remainder must be split equally between the admin- and the sales department.  |  |
|  |  |  |  |
|  |  | * Provide for depreciation at 15% p.a. on the diminished-balance method for factory assets and equipment:
 |  |
|  |  |  |  |
|  |  |  | Cost (1 September 2018) | 3 640 000 |  |
|  |  |  | Accumulated depreciation (1 September 2018) | ? |  |
|  |  |  | Carrying value (1 September 2018) | 2 002 000 |  |
|  |  |  |  |  |  |
|  |  |  | On 31 December 2018 old equipment costing R750 000 was sold for cash at its carrying value. The accumulated depreciation on this equipment was R491 000 on 1 September 2018.On 1 March 2019 new equipment at R900 000 was purchased. |  |
| 6.2 | **OHSO GREAT CAKES** |  |
|  |  |  |
|  | The company manufactures cakes. |  |
|  |  |  |
|  | **REQUIRED:** |  |
|  |  |  |
|  | 6.2.1 | Calculate the following for the financial year ended 31 August 2019. |  |
|  |  |  |  |
|  |  | * Variable costs per unit
 | (2) |
|  |  |  |  |
|  |  | * The break-even point
 | (4) |
|  |  |  |  |
|  | 6.2.2 | The owner is concerned about the performance of the business.* Comment on the break-even point and the level of production. Quote figures.
* Give TWO different suggestions to improve the situation next year.
 | (4)(4) |
|  |  |  |  |
| **INFORMATION:** |  |
|  |  |  |
|  | **2019** | **2018** |
| Number of units produced and sold | 54 000 units | 64 000 units |
| Break-even point in number of units | **?** | 9 321 units |
|  | Rands per unit | Totals | Rands per unit | Totals |
| Sales | R88,00 | R4 752 000 | R80,00 | R5 120 000 |
| Selling price of competitor | R80,00 |  | R80,00 |  |
| Total fixed cost |  | R507 600 |  | R480 000 |
|  Administration cost | R3,40 | R183 600 | R2,50 | R160 000 |
|  Factory overhead cost | R6,00 | R324 000 | R5,00 | R320 000 |
| Total variable cost |  | R1 971 000 |  | R1 040 000  |
|  Direct material cost | R18,00 | R972 000 | R14,00 | R896 000 |
|  Direct labour cost | R12,00 | R648 000 | R10,00 | R640 000 |
|  Selling and distribution  costs | R6,50 | R351 000 | R4,50 | R288 000 |
|  |  |  |
| There was no opening or closing stock since the cakes have a two days shelf life to ensure absolute freshness. |
|  |  |  |

|  |  |
| --- | --- |
| **QUESTION 6** |  |
|  |  |
| **6.1** | **FUNKY FURNITURE** |  |
|  |  |  |
|  | **PRODUCTION COST STATEMENT ON 31 AUGUST 2019** |  |
|  |  | **R** |  |  |
|  |  |  |  |  |
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 |
|  | **Total cost of production**  | **6 538 000** |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **6.2** | **OHSO GREAT CAKES** |  |  |
|  | **6.2.1** | **Variable costs per unit.** |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
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|  |  | **The break-even point.** |  |
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|  |  |  |  |  |
|  | **6.2.2** | **The owner is concerned about the performance of the business. Comment on the break-even point and the level of production. Quote figures.**  |  |
|  |  |  |

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 |
|  |  | **Give TWO different suggestions to improve the situation next year.** |  |
|  |  |  |  |
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| **QUESTION 7: MANUFACTURING (55 marks)** |
|  |  |  |
| 7.1 | **OR TAMBO** |  |
|  |  |  |
|  | OR Tambo manufactures remote-control toy aeroplanes. Their financial year endson 28 February each year. |  |
|  |
|  | **REQUIRED:** |
|  |
|  | 7.1.1 Calculate the factory overhead cost on 28 February 2019. | (18) |
|  |  |  |
|  | 7.1.2 Complete the Production Cost Statement for the year ended  28 February 2019.Show all workings in brackets. | (17) |
|  |  |  |
|  | **INFORMATION:** |  |
|  |  |  |
|  | **A.** | The following stock balances were available on 28 February 2019: |  |
|  |  |  |  |  |  |
|  |  | **Stocks on 1 March 2018** | **2019** | **2018** |  |
|  |  | Raw materials | 10 640 | 12 000 |  |
|  |  | Work–in–progress | ? | 13 440 |  |
|  |  | Finished goods | 53 000 | 46 600 |  |
|  |  | Consumable stores | 1 000 | 2 000 |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
|  | **B.** | **Summary of transactions during the year** |  |  |
|  |  | Purchases on credit: Raw material | 150 640 |  |
|  |  |  Consumable stores | 5 600 |  |
|  |  | Import duties paid on raw material purchased | 21 700 |  |
|  |  | Rent expense | 44 000 |  |
|  |  | Water and electricity | 11 720 |  |
|  |  | Wages paid | 90 000 |  |
|  |  | Depreciation on vehicles | 12 000 |  |
|  |  | Factory machinery maintenance | 10 500 |  |
|  |  | Cash register repairs | 3 900 |  |
|  |  | Selling expenses | 5 760 |  |
|  |  | Sales | 636 000 |  |
|  |  | Bad debts | 13 200 |  |
|  |  | Commission sales staff | 12 800 |  |
|  |  | Returns: Raw materials | 2 800 |  |
|  |  |  Consumable stores | 600 |  |
|  |  | General expenses: factory | 33 200 |  |
|  |  | Cost of production of finished goods | 430 400 |  |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **C.** | Consumable goods are only used in the factory and the administration department. The ratio is 5 : 1. |  |
|  |  |  |  |
|  | **D.** | The overhead cost regarding to rent is appropriated according to floor space. The factory covers 9 000 m², administration 600m² and sales and distribution covers 2 400 m² of the floor space. |  |
|  |  |  |  |  |
|  | **E.** | An unpaid account for water and lights of R1 600 must still be taken into account |  |
|  |  |  |  |  |
|  | **F.** | The following was noted regarding wages: |  |
|  |  | (i) | Wages paid to workers during the year: |  |
|  |  |  | Gross factory wagesTotal deductionsTotal contribution by employer | 100 00060 00050 000 |  |
|  |  |  |  |  |
|  |  | (ii) | Factory wages are allocated as follow: 80% direct and 20% indirect. |  |
|  |  |  |  |  |
|  |  | (iii) | Two workers in the assembly line were on leave during the last two weeks of February 2018. Their salaries for the last two weeks were omitted in error from the wages journals. The two workers’ wages combined for the two weeks is: R4 000 in total and will be paid in March 2019.Deductions per worker per week is:* Pension fund R80
* SARS (PAYE) R140

The employer contributes R2 for every R1 contributed by the employees to the pension fund. |  |
|  |  |  |  |  |
|  | **G.** | Vehicles are used to transport raw material and to deliver finished goods, hence, the decrease in value are to be shared equally between these two divisions. |  |
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| 7.2 | **GRACIAS LTD.** |  |
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|  | REQUIRED: |  |
|  |  |  |  |
|  | 7.2.1 | Calculate the missing figures marked **a**–**d**. Write only the answers in the ANSWER BOOK. | (4) |
|  |  |  |  |
|  | 7.2.2 | Calculate the break-even point for 2019. Assume that factory overheads and administration cost is regarded as fixed cost. | (5) |
|  |  |  |  |
|  | 7.2.3 | Comment on the break-even point | (3) |
|  |  |  |  |
|  | 7.2.4 | Identify TWO unrealistic escalations of expenses. Give a possible cause for each as well as a possible solution to the problem. | (8) |
|  |  |  |
|  | INFORMATION: |  |
|  |  |  |
|  |  | **2019** | **2018** |  |
|  | Finished stock | 105 800 | 22 700 |  |
|  | Number of units made and sold | 50 000 | 36 000 |  |
|  | Break-even point | ? | 25 560 |  |
|  | Selling price | R120 | R100 |  |

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|  | **Costs in Rand** | **Total cost 2019** | **Unit cost 2019** | **Unit cost 2018** |  |
|  |  | **R** | **R** | **R** |  |
|  | Direct/Raw materials | 900 000 | **a** | 24 |  |
|  | Direct labour cost | **c** | **b** | 22 |  |
|  | Prime cost | **d** | 48 | 46 |  |
|  | Factory overheads | 1 100 000 | 22 | 20 |  |
|  | Administration costs | 400 000 | 8 | 6 |  |
|  | Selling and distribution | 350 000 | 7 | 4 |  |
|  |  |  |  |  |  |
|  |  | **2019****R** | **2018****R** |  |
|  | Total cost of production | **?** | 2 446 000 |  |
|  |  |  |  |  |
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| **QUESTION 7** |
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| **7.1** | **OR TAMBO** |  |
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| **7.1.1** | **FACTORY OVERHEAD COST** |  |  |  |
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| **7.1.2** | **PRODUCTION COST STATEMENT FOR THE YEAR ENDED** **28 FEBRUARY 2019** |
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| **7.2** | **GRACIAS LTD.** |  |
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| **7.2.1** | a |  |  |  |  |
|  | b |  |  |  |

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 |
|  | c |  |  |  |
|  | d |  |  |  |
|  |  |  |  |  |  |
| **7.2.2** | **Calculate the break-even point for 2019. Assume that factory overheads and administration cost is regarded as fixed cost.** |  |
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| **7.2.3** | **Comment on the break-even point.** |  |
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| **3** |

 |
|  |  |  |
| **7.2.4** | **Identify TWO unrealistic escalations of expenses. Give a possible cause for each as well as a possible solution to the problem.** |  |
|  | **Identification of expense with explanatory figures** | **Possible cause for escalation** | **Possible solution to the problem.** |  |
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