Control test 2

Marks: 100 **Time: 1 hour**

Instructions
- You are provided with a question paper and an answer book.
- Answer all questions.
- Use the formats provided in order to reflect your answers.
- Workings must be shown in order to achieve part-marks.
- Non-programmable calculators may be used.

Question 1 Production Cost Statement

1 You have information relating to Dali Manufacturers for the financial year ended 28 February 2.14. [58 marks]

Required

1.1 Prepare the Production Cost Statement for the year together with the Notes. (54)

1.2 Calculate the gross profit for the year. (4)

Information

1 The following balances appeared, amongst others, in the Ledger on 1 March 2.13 (the beginning of the financial year).

	R
Office Equipment	54 000
Factory plant	630 000
Vehicles	314 000
Accumulated depreciation: Office equipment	24 600
Accumulated depreciation: Factory plant	333 600
Accumulated depreciation: Vehicles	109 800
Raw materials stock	214 000
Work-in-progress stock	51 600
Stock of finished goods	252 800
Consumables stores on hand (indirect materials)	19 200

2 Summary of transactions for the year ended 28 February 2.14.

	R
Office stationery purchased	8 700
Raw materials purchased	816 000
Indirect materials purchased	39 800
Carriage on purchases of raw materials	30 800
Sales of finished goods	3 040 000
Advertising	56 400
Vehicle expenses	29 000
Factory wages	385 200
Salaries: Factory foreman	180 000
Administrative staff	220 000
Sales staff	198 000
Rates	40 080
Insurance	62 400
Electricity and water	60 000

Additional information

1 Water and electricity must be apportioned in the ratio of 3 : 1 between the factory and the administrative sections respectively.

2 Expenses in respect of rates and insurance must be distributed equally between the factory and administrative section. Rates on property amounting to R7 200 were paid for the period 1 January 2.14 to 30 June 2.14.

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3 The vehicle is used to transport raw materials to the factory as well as deliver finished products to customers. All related expenses must be shared equally between manufacturing and the selling departments.

4 Raw materials costing R32 000, purchased from Mali Traders were returned on 28 February 2.14. This transaction was not recorded.

5 Depreciation for the year is as follows:

	R
Factory plant	59 280
Office equipment	5 400
Vehicles	20 420

6 UIF deductions of 1% apply to all employees. The business contributes 1%.

7 All employees contribute 7,5% of earnings to the Pension fund, while the business contributes 10,5% of monthly earnings.

8 Inventories on hand on 28 February 2.14:

	R
Work-in-progress	172 828
Finished goods	50 800
Raw materials	171 000
Indirect materials	3 600

9 The cost of sales of finished goods amounted to R1 802 000 for the year.

Question 2 JSE Manufacturers [42]

JSE Manufacturers manufactures belts. The belts are sold at a mark-up of 100% on cost.

Required

2.1 Complete the answers A – I. (16)

2.2 State the difference between Variable and Fixed costs. (4)

2.3 Calculate the break-even point. (6)

2.4 In your opinion should JSE Manufacturers change to the cheaper supplier? Give two reasons for your answer. (7)

2.5 Mention ONE ethical consideration when sourcing raw materials (3)

2.6 Mention TWO internal control measures to prevent raw materials wastage. (6)

Information

The owner of JSE Manufacturers has provided you with the following Information.

	40 000 units made	
	Total costs R	Unit costs R
Variable costs	A	25.00
Direct material costs	480 000	B
Direct labour costs	C	8.00
Selling and distribution costs	200 000	D
Fixed costs	600 000	E
Factory overhead costs	F	9.00
Administration costs	240 000	G
Total costs	H	I

Additional information

1 Selling price per belt: R80

2 The owner informs you that he has discovered a new supplier for raw material. The material will is close to real nappa leather. This will reduce the variable cost to R21 per unit. If the business charges the same selling price it will ensure greater profits and prevent theft and wastage of raw materials taking place.

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