

	Control test 2 memorandum		
Mark	s: 100		TIME: 1 hour
1	Production Cost Statement		
1.1		Notes	R
	Direct material costs	1	☑ 857 800
	Direct labour costs	2	☑ 429 498
	Prime costs		☑ 1 287 298
	Factory overhead costs	3	☑ 433 930
	Total cost of production		☑ 1 721 228
	Add: Work-in-progress at beginning of year		✓ 51 600
			☑ 1 772 828
	Less: Work-in-progress at end of year		✓ (172 828
	Cost of production of finished goods		☑ 1 600 000
lotes Dire	to the Production Cost Statement ct material costs		R
Balance at beginning of year			√ 214 00
Purchases (R816 000 \checkmark – R32 000 \checkmark)			☑ 784 000
Carriage inwards			√ 30 80/
			☑ 1 028 800
Less: Balance at end of year			√ (171 000
			☑ 857 800
2 Dire	ct labour costs		R
Direct wages			√ 385 20
Pension fund contribution (R385 200 $ imes$ 10,5%) \checkmark			☑ 40 44
UIF contribution (R385 200 $ imes$ 1%) \checkmark			☑ 3 85
			☑ 429 498
3 Fact	ory overhead costs		R
Indirect material (R19 200 ✓ + R39 800 ✓ - R3 600) ✓			☑ 55 40
Indirect labour (R180 000√ + R1 800√√ + R18 900)√√			☑ 200 70
Depreciation: Plant and vehicles (R59 $280\sqrt{+}$ R10 $210)\sqrt{-}$			☑ 69 49
Vehicle expenses (R29 000 ÷ 2)√			☑ 14 50
Rates ((R40 080 – R4 800 ✓ ✓) ÷ 2) ✓			☑ 17 64
Insurance (R62 400 ÷ 2)√			☑ 31 20
Facto	actory electricity and water (R60 000 \div 4 $ imes$ 3) \checkmark		☑ 45 00
			☑ 433 930

oxford Successful



Gross profit for the year = R3 040 000√- R1 802 000 ✓ = R1 238 000 √ ⊠

2.1

	40 000 units made	
	Total costs	Unit costs
	R	R
Variable costs	√√1 000 000	25.00
Direct material costs	480 000	√√12.00
Direct labour costs	√√320 000	8.00
Selling and distribution costs	200 000	√√5.00
Fixed costs	600 000	√√15.00
Factory overhead costs	√√360 000	9.00
Administration costs	240 000	√√6.00
Total costs	☑1 600 000	☑40.00

2.2 Fixed costs do not change if you produce less, or more, units. The cost should be paid regardless of the number of units produced. Examples of fixed costs: factory overhead cost and administrative cost $\checkmark\checkmark$ Variable costs are linked to the number of units produced. The cost remains the same per unit but the total rand value increases as more units are produced. For

example: raw material cost, direct labour cost, selling and distribution cost. \checkmark

2.3 Break-even point = $\frac{\text{Fixed costs}}{\text{Selling price per unit - Variable cost per unit}}$

$$= \frac{\frac{R600\ 000\ \sqrt{}}{R80.00\ \sqrt{} - R25.00}}{\frac{R600\ 000}{R55.00\ \sqrt{}}}$$

- ≈ 10 909 units (accept 10 910 units) ✓ 🗹
- **2.4** Yes/No \checkmark Reason $\checkmark \checkmark \checkmark$ Explanation $\checkmark \checkmark \checkmark$
 - Suggested answer if response is "No"

• Reduced goodwill

- Poor quality of material
- Customers will go elsewhere implying a reduction of profit
- Eventually cheaper quality and cheaper price
- Suggested answer if response is "Yes"
- Emphasis is on profit
 - A demand can be created then the business will be able to supply
- **2.5** Any One $\checkmark \checkmark \checkmark$
 - These include consideration about the environment and the manner in which the raw materials are obtained.
 - No raw material must be illegally obtained or be harmful to the environment from which it is obtained.
 - Accept any other reasonable answer.
- **2.6** Any Two $\checkmark \checkmark \checkmark \checkmark \checkmark \checkmark$
 - The appointment of supervisors who oversee that workers do not waste materials and that they do not misuse official working hours for private purposes.
 - Re-using of raw material waste by having a system in place to put the off-cuts back into the production process, where possible.

Accept any other reasonable answer.