ACCOUNTING

GRADE 12

TERM 2 MARKING GUIDELINES

4 CHECK YOUR ANSWER

4.1 MANUFACTURING

ACTIVITY 1

1.1	**SNAZZY HANDBAGS**	
	PRODUCTION COST STATEMENT ON 30 SEPTEMBER 2015	
		R
A	✓ Direct material cost (976 000 ✓– 17 000 ✓)	959 000 ☑
	✓ Direct labour cost	755 000
B	**Prime Cost**	1 714 000 ☑
C	✓ Factory overhead cost (442 080 ✓ – 20 800 ✓✓ + 2 560✓+ 8 320 ✓+ 1 920✓+ 1 920✓)	436 000 ☑
D	**Manufacturing cost**	2 150 000 ☑
	Work-in-process (1 October 2014)	74 000 ✓
		2 224 000 ☑
	Work-in-process (30 September 2015)	(36 500) ☑
E	**Total cost of production**	2 187 500 ✓

A. Direct Material for the year minus material return (damaged).

B. Direct material cost plus Direct labour cost.

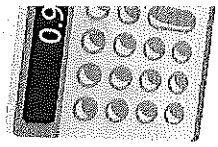
X. Factory overhead for the year (442 080) Minus Rent expense prepaid (20 800) Plus Gross salary factory foreman (2 560 + 8 320 + 1 920 + 1 920) PAYE, Net Salary and UIF. UIF contributed b employee and by the business (1 920 +1 920) rand- for-rand basis.

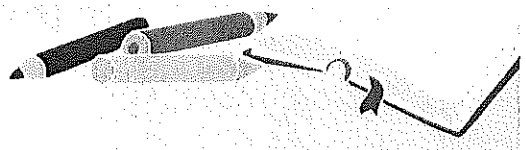
Δ. Prime cost plus Factory overheads.

E. Manufacturing cost plus Work in process at the beginning of the year minus Work in process at th of the year.

1.2	**HEALTHY LIFESTYLE COOKWARE**
	Calculate the variable cost per unit for 2015.
A	2 160 000 ✓/ 27 000 ✓ =R 80 ☑
B	**Calculate the break-even point for 2015.** 2 850 000 ✓ / R175 ✓ – R80 ☑ = 30 000 units ✓☑

Total Variable cost divide by total number of units produced.





ACTIVITY 2

2.1 CONCEPTS

2.1.1	False✓
2.1.2	False✓
2.1.3	True✓

2.2 STAR WHEELS MANUFACTURERS

2.2.1 DIRECT LABOUR COST

A	Basic salary (14 x 7 000) ✓ x 12 ✓	1 176 000	☑
B	Overtime (14 x 144) ✓ x 65 ✓	131 040	☑
C	UIF contributions (1 176 000 x 1%)	11 760	✓☑
		1 318 800	☑

A. Basic salary is calculated by taking the number of workers (14) multiply by the basic salary (70(**multiply** by (12) as it is for the year.

B. Overtime is calculated by taking 14 workers multiply by overtime rate (144) multiply by the num hours worked (65).

C. UIF is 1/100 X the basic salary calculated.

FACTORY OVERHEAD COST

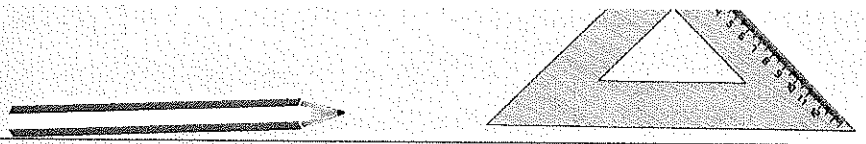
A	Indirect materials (13 200 ✓+ 38 400 ✓ – 15 100 ✓)	36 500	☑
	Salaries: foreman	156 000	✓
B	Electricity and water (104 000 x 90%)	93 600	✓✓
C	Rent expense (115 200 x 600/1 500)	46 080	✓✓
D	Insurance (74 200 x 3/7)	31 800	✓✓
	Depreciation: factory plant and machinery	277 220	✓
		641 200	☑

A. Opening stock **plus** purchases **minus** closing stock.

B. The factory is using 90% of electricity and water.

X. The factory is using only 600 of 1500 floor space and must be multiplied by the total expense of rent 115 :

Δ. The 2 800 still owing for December must be added to the 71 400 to get 74 200. Which is then multiplied l as the factory is only using 3 parts of the total space (3:2:2) = 7.



2.2.2	**PRODUCTION COST STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015.**		
	Direct (raw) materials cost	**2 100 000**	
A	Direct labour cost	1 318 800	☑
B	**Prime cost**	3 418 800	☑
	Factory overhead costs	641 200	☑
C	**Total manufacturing cost**	4 060 000	☑
	Work-in-process (beginning of year)	**160 000**	
		4 220 000	☑
	Work-in-process at end	(220 000)	☑
D	**Cost of production of finished goods** (4 015 000 ✓ + 95 000 ✓ – 110 000 ✓)	4 000 000	☑

Basic salary plus Overtime plus UIF Contribution (See 2.2.1).

A. Direct material cost plus Direct labour cost.

B. Prime cost plus Factory overheads.

X. Working backwards: Cost of sales plus Closing Stock minus Opening Stock.

2.3 NUTRITIOUS EATS

2.3.1	**Calculate the break-even point for the year ended 31 October 2015.**	
	736 000✓ (28✓ – 16✓)	= 61 333 or 61 334 units☑

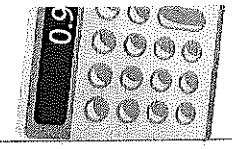
Total Fixed cost/ Selling price per unit – Variable cost per unit.

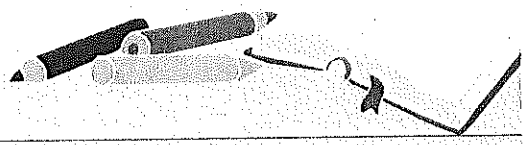
2.3.2	**Give TWO possible reasons for the increase in the direct material cost per unit in the curren financial year.** Any two suitable reasons✓✓ ✓✓ • Due to the effects of inflation, price of raw materials increased. • Storage costs. • Raw material obtained from new suppliers. • Increase in wastage • Increase in carriage

Know factors that could lead to an increase in the price of raw material used by the business in question.

ACTIVITY 3

3.1	**3.1.1**	Administration cost	✓
	3.1.2	Direct material cost	✓





	Be able to identify and explain concepts.
3.2.1	**Calculate direct labour cost.** 384 000 ✓☑ 31 500 ✓✓☑ 44 160 ✓☑ ☑ (1 920 x 5 x R40) + (90 x 5 x 70) + (384 000 x 11,5%) = R459 660 **OR** 76 800 6 300 8 832 5 x [(1 920 x R40) + (90 x 70)] + (76 800 x 11,5%)] = R459 660

Note to candidates:

- Five (5) workers multiply by normal wager of R40 multiply by hours worked by all workers (1 920) ec 384 000.
- Five (5) workers multiply by (R40 X 175/100) which is R70 multiply by 90 hours overtime equals R31
- Basic wage multiply by 11,5% which equals R44 160.

	Calculate direct material cost. $\frac{131\ 500\checkmark + 584\ 000\checkmark}{1\ 350\checkmark + 5\ 400\checkmark}$ x 5 500✓ = 583 000 ☑
	OR Total Variable Cost – Direct Labour Cost – Selling & Distribution Cost [4 200 x 300] – 459 660 – 217 340 = 583 000 **OR** Opening Stock + Purchases – (CS x R106) – (Theft x R106) 131 500 + 584 000 – 99 640 – 32 860 = 583 000

3.2.2	**Production Cost Statement for the year ended 29 February 2016:**	
A	✓Direct material cost (need not be first)	583 000 ☑
B	✓Direct labour cost	459 660 ☑
	Prime cost	1 042 660 ☑
C	✓Factory overhead cost	343 340 ✓
	Cost of production of finished goods	1 386 000 ☑

D

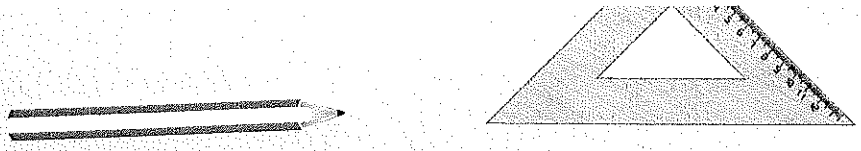
A. Direct Material for the year calculated accordingly (see 3.2.1).

B. Basic salary plus Overtime plus UIF Contribution (see 3.2.1).

X. Direct material cost plus Direct labour cost.

Δ. Prime cost plus Factory overheads.

3.2.3	**Calculate the break-even point for 2016.** $\frac{343\ 340\checkmark + 226\ 660\checkmark}{450\ \checkmark - 300\ \checkmark}$



4.2 INVENTORY VALUATION

ACTIVITY 1

1.1	(a) Calculate the closing stock of Johx watches on 31 August 2015.
	1 x 6 500 5 x 6 800 2 x 7 300 3 x 7 800 6 500 ✓ + 34 000 ✓ + 14 600 ✓ + 23 400 ✓ = 78 500 ☑

Notes to the learner:

- For you to be able to answer this question you must first determine which valuation method is used anc case it is the **specific identification method**.
- Check how many units were available at the beginning of the year and how many were sold. In this cas were available and 11 sold which mean 1 was left (1 X 6500) = 6 500.
- Check how many units were bought during the period at different times at different prices and how man sold and how many was left.

September (15 – 10 = 5 x 6800) + January (12 -10 = 2 X 7300) + April (8-5 = 3 X 7800)

34 0000 **14 600** **23 400**

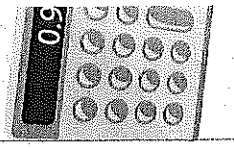
(b) Calculate the cost of sales of Johx watches for the year ended 31 August 2015.	
330 000	**OR**
78 000 ✓ + 252 000 ✓ – 78 500 ☑	71 500 (11 x 6 500)
= 251 500 ☑	68 000 (10 x 6 800)
OR	73 000 (10 x 7 300)
440 125 x 100/175 = 251 500	39 000 (05 x 7 800)
	251 500

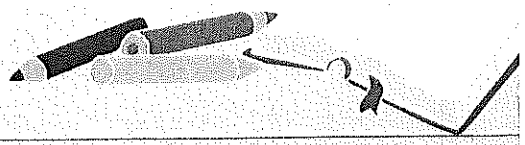
Note to learners:

You have to know how to calculate Cost of Sales if it is not given

Cost of Sales = Opening stock + Net Purchases (Purchases – returns/stolen) – Closing stock. Closing stock m the amount calculated in the previous question.

Or Cost of Sales can be calculated by taking the cost prices of all items sold.





1.2 **(a) Calculate the closing stock of Kwatz watches for the year ended 31 August 2015.**

304 150 (3 marks)

32 300 ✓+ 259 900 ✓ + 11 950 ✓

95 ✓+ 675 ✓

770 (2 marks)

= 395

395 x 92 ✓ = 36 340 ☑

Note to learners:

- To calculate closing stock you must first determine which valuation method are used to calculate stock. In this case we are using the **weighted average method**.
- How do you calculate closing stock using weighted average method? You take the **rand value** opening stock + Net Purchases in **rand value** + Carriage divided by the **number** of units (This incl number of units in the beginning + **the number** of units purchased). That will give you your averag per unit. Hint: The answer should be between the lowest and highest purchased value.
- Take the average price and multiply it by the number of units left (closing stock)

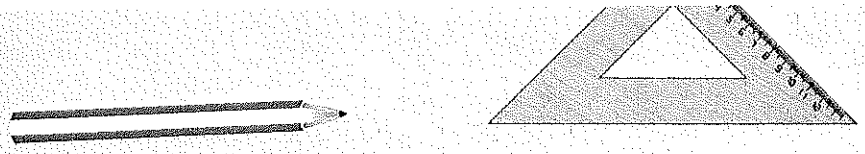
(b) Calculate the sales of Kwatz watches on 31 August 2015.

(770 – 92) = 678 (units sold)✓✓

678 x R520 = 352 560☑

Note to learners:

To calculate the units sold: Take the Opening stock add purchases (95 + 675) = 770 – closing stock (92) = 678 the number sold and not the sales amount. To calculate the sales amount you must multiply the units sold (67 the sales amount per unit (R520).



ACTIVITY 2

INVENTORY VALUATION

2.1 Explain the difference between the *perpetual stock system* and the *periodic stock system*.

Any valid difference with comparison ✓✓ *Expected responses:*

Perpetual stock system	*Periodic stock system*
Cost of sales calculated at point of sale	Cost of sales calculated at end of financial period
Stock value can be determined/ identified at any time (from records)	Stock value determined/identified by stock count
Cost of sales account used	Purchases account used
Stock bought regarded as an asset	Stock bought regarded as an expense

Please note: The explanation that you are giving must correlate between the two systems. If you explain cost for perpetual system you must also explain cost of sales for periodic.

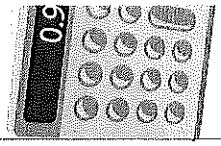
2.2	**Calculate the value of the stock on hand on 28 February 2015 using the weighted-average met** 346 800 + 3686 400 [150 1 X 1 200] R4 033 200 ✓ – R180 000✓✓☑ x 650 ✓ = 3 853 200 x 650 300 ✓+ 3 230 ✓– 150 ✓ 3 380 = 1 140 x 650 = R741 000 ☑
	Please note: when the question says value it must be in Rand and cents value. How do you calculate weighted average method? Value of opening stock(346 000) Plus Value of the Purchases (3686 400) Minus Returns (180 000) D by the number of products (Opening units(300) + Purchases(3 230) – Returns (150) Multiply the answer (R1 140) which is the average price with the number of closing stock (650)

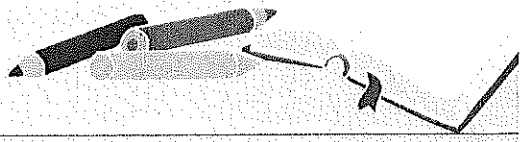
2.3 Calculate the value of the closing stock using the FIFO method.

R632 400✓✓ + (140✓✓ x R1 200) ✓ = R800 400☑

168 000

FIFO method: Check the number of units left which is 650 units. What was the last purchase? November R1 240 = (632 400). The other 140 of the closing stock must be from the previous purchases July @ R1 200





Give ONE reason in favour of changing to the FIFO method. ✓✓

- Gross profit will be higher because closing stock would be higher
- Jackets are discrete products / Easy to count or identify jackets individually
- Value of jackets is continuously changing and valued at more recent/realistic prices

Give ONE reason against changing to the FIFO method. ✓✓

- No need to change as profit will be the same in the long-term
- Unethical to manipulate the profit by changing the method of stock valuation
- Tax would increase in first year as a result of increased profit
- The change would affect comparisons across financial years

ACTIVITY 3

INVENTORY VALUATION

3.1 **Explain the FIFO valuation method.**

Any valid explanation, e.g.

It is assumed that the first items bought are the first items sold. ✓✓ **OR**

Stock on hand is valued at the latest cost prices.

Explain the specific identification valuation method.

Any valid explanation, e.g.

Each item of stock is valued at its original cost to the business. ✓✓

Please study and remember these concepts.

3.2 **Calculate the cost price per laptop on hand on 1 October 2015.**

R413 000/118 = R3 500 ✓✓

To calculate per unit. You take the total amount divided by the number of units.

3.3 **Calculate the value of the closing stock on 30 September 2016.**

202 500 502 200

✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓☑

[3 750 x (410 – 356)] + [4 650 x (630 – 20 – 502)] = R704 700

To calculate the value of the closing stock you must first determine the method that is used. I
this case it is the Specific identification method. Although there are three different types of la
each model will be calculated separately. All Lexus model were sold- which mean 0 closing s
Granite- 410 units were purchased and 356 were sold which mean (410 – 356) = 54 on hand
R3 750 per unit = R202 500. Vision- 630 units were purchased of which 20 were returned (63
= 610 units available of which 502 were sold (610 – 502) = 108 units on hand X R4 650 per u
502 200. Therefore the value for the closing stock is R202 500 + 502 200 = R704 700