QUESTION 1: MANUFACTURING **(40 marks; 25 minutes)**

1.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question numbers (1.1.1 to 1.1.3) in the ANSWER BOOK.

1.1.1 Bad debts are an administration cost.

1.1.2 Indirect labour is a factory overhead cost.

1.1.3 Rent expense is a fixed cost. (3)

1.2 **KRIGE SHIRTS**

The business manufactures shirts. The financial year-end is 31 July 2018.

INFORMATION:

A.

	31 JULY 2018	1 AUGUST 2017
Work-in-progress stock balance	?	R35 570

B. **Raw materials** issued to factory: R528 300

C. **Direct labour:**

Number of factory workers	4
Normal time expected per worker per year	1 960 hours
Normal time rate	R90 per hour
Bonuses to workers: 12% of normal wages	
NOTE: One worker worked only 1 680 hours and received a reduced bonus of R12 146.	

D. **Factory overheads** were calculated at R360 880 for the year. However, this excludes insurance of R48 750 paid for the period 1 August 2017 to 31 August 2018. Insurance must be allocated to the factory, administration and sales in the ratio **4 : 3 : 2**.

E. **Production for the year:** 17 500 shirts at a cost of R95 per shirt

LIVEWORKSHEETS

1.2.1 Calculate direct labour cost.

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1.2.2 **PRODUCTION COST STATEMENT FOR THE YEAR ENDED 31 JULY 2018**

Direct material cost	528 300
Prime cost	
Total production cost	
Work-in-progress (1 August 2017)	
Cost of production of finished goods	

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3 **GEMMA'S MANUFACTURERS**

This business manufactures security gates. The financial year-end is 31 August 2018.

LIVEWORKSHEETS

INFORMATION FOR YEAR ENDED 31 AUGUST:

A.

COSTS		2018		2017
		TOTAL AMOUNT	UNIT COST	UNIT COST
Direct materials	Variable	75 600	R180	R148
Direct labour		105 840	R252	R244
Selling and distribution		60 900	R145	R136
TOTAL VARIABLE COST		**242 340**	**R577**	
Factory overheads	Fixed	67 200	R160	R156
Administration		51 660	R123	R127

B. Additional information:

	2018	2017
Total sales	R382 200	R475 200
Selling price per unit	R910	R880
Units produced and sold	420 units	540 units
Break-even point	?	435 units

1.3.1 **Calculate the break-even point for the year ended 31 August 2018.**

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1.3.2 **Compare and comment on the break-even point and the production level achieved over the last two years. Quote figures.**

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LIVEWORKSHEETS

1.3.3 **Give TWO reasons for the increase in direct material cost. Suggest ONE way to control this cost.**

REASONS:

SUGGESTION:

QUESTION 2: VAT AND CREDITORS' RECONCILIATION (35 marks, 20 minutes)

2.1 **VAT**

Samson Traders is registered for VAT. The VAT rate is 15%.

INFORMATION:

	EXCLUDING VAT	VAT AMOUNT	INCLUDING VAT
Sales returns	960	(a)	1 104
Purchase of stock	52 600	(b)	
Discount received	(c)	720	
Cash sales		(d)	112 470*

* This includes zero-rated goods that should have been sold for R5 500. The bookkeeper has incorrectly included VAT of R825 on these goods. This must be corrected.

2.1.1 Calculate the figures indicated by **(a)** to **(d)** in the table below.

2.1.1

	WORKINGS	ANSWER
(a)		
(b)		
(c)		
(d)		

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LIVEWORKSHEETS

2.1.2 **You are the internal auditor. The sole owner, Samson, used a business cheque to buy a new car for R460 000 including VAT. This car is kept at home for his wife's use. Samson says the vehicle must be recorded as a business asset and R60 000 must be recorded as a VAT input in the business' books.**

Explain what you would say to Samson. Provide TWO points.

Point 1	
Point 2	

2.2 CREDITORS' RECONCILIATION

Claire Traders buys goods on credit from Mariti Suppliers.

INFORMATION:

A. Creditors' Ledger of Claire Traders

MARITI SUPPLIERS (CL5)						
				DEBIT	**CREDIT**	**BALANCE**
2018	1	Balance	b/d			67 500
July	10	Invoice 209			81 000	
		EFT		33 750		
	17	Debit Note 674		8 640		
		Invoice 282			40 950	
		Invoice 301			25 000	
	21	Invoice 360			50 250	
	24	Debit Note 995			8 100	
	27	Journal Voucher 570		5 400		
	31	Cheque and discount		77 190		147 820

B. Statement of account from Mariti Suppliers

MARITI SUPPLIERS

Claire Traders
108 Kruger Road

25 July 2018

			DEBIT	**CREDIT**	**BALANCE**
2018	1	Balance			67 500
July	10	Invoice 209	81 000		
		Receipt 695		33 750	
	17	Credit Note 741		6 840	
		Invoice 301	25 000		
	21	Invoice 360	20 250		
	24	Credit Note 811		8 100	145 060

LIVEWORKSHEETS

C. Differences noted:

(a) The incorrect entry for Debit Note 674 in the Creditor's Ledger Account of Mariti Suppliers relates to the correct Credit Note 741 on the statement.

(b) Invoice 282 was incorrectly reflected in the account of Mariti Suppliers in the Creditors' Ledger. The goods were purchased from Genesis Suppliers.

(c) Invoice 360 was incorrectly recorded on the statement from Mariti Suppliers.

(d) Mariti Suppliers also purchased goods on credit from Claire Traders. Claire Traders has transferred a debit balance from the Debtors' Ledger (Journal Voucher 570). Mariti Suppliers will offset this on the next statement.

(e) The transaction on 24 July 2018 is for merchandise returned to Mariti Suppliers.

(f) The statement reflects transactions up to 25 July 2018.

2.2.1 Use the table provided to indicate changes to the:

- Creditors' Ledger Account in the books of Claire Traders
- Creditors' Reconciliation Statement on 31 July 2018 (13)

2.2.1

	CREDITORS' LEDGER: ACCOUNT OF MARITI SUPPLIERS	STATEMENT OF ACCOUNT
Balance	147 820	145 060
(a)		
(b)		
(c)		
(d)		
(e)		
(f)		

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LIVEWORKSHEETS

2.2.2 The internal auditor insists that direct payments (EFTs) must be used to pay suppliers. Explain:

- ONE reason to support his decision (2)
- ONE internal procedure to ensure control over this system (2)

2.2.2 The internal auditor insists that direct payments (EFTs) must be used to pay suppliers.

Explain ONE reason to support his decision.	2
Explain ONE internal procedure to ensure control over this system.	2

2.2.3 Refer to Invoice 301. It was discovered that the store manager, Vernon, had signed a fictitious order form and took the goods for himself when they arrived. Besides dismissing Vernon, provide:

- ONE suggestion for action to be taken against him
- ONE suggestion to prevent this problem in future (4)

2.2.3 **Besides dismissing Vernon, provide ONE suggestion for action to be taken against him.** **Provide ONE suggestion to prevent this problem in future.**	4

LIVEWORKSHEETS