

PROGRAMME: REPORT 191 BUSINESS

SUBJECT: COST AND MANAGEMENT ACCOUNTING

LEVEL: N5

TOPICS: INTRODUCTIONS (1) AND MATERIALS (2)

Question 1

- 1.1 B✓
- 1.2 B✓
- 1.3 C✓
- 1.4 D✓
- 1.5 B✓
- 1.6 B✓
- 1.7 C✓
- 1.8 D✓
- 1.9 A✓
- 1.10 C✓
- 1.11 A✓
- 1.12 A✓
- 1.13 B✓
- 1.14 A✓
- 1.15 D✓
- 1.16 C✓
- 1.17 A✓
- 1.18 D✓

18 x 1 = 18

Question 2

1. Order point	=	Maximum order period✓ x Maximum use✓	
	=	5✓ x (3000 x 8m ²) ✓	
	=	5 x 24000m ² ✓	
	=	120 000m ² ✓	6

2. Economic order Quantity	=	$\frac{\sqrt{2 \times \text{Annual consumption} \times \text{Order cost}}}{\text{Holding cost of one unit per year}}$
	=	$\frac{\sqrt{2 \times (49 \times 3000 \times 8\text{m}^2) \times 70}}{(120 \times 30\%)}$
	=	$\frac{\sqrt{2 \times 1\,176\,000\text{m}^2 \times 70}}{36}$

	=	$\frac{\sqrt{16\,4640\,000\text{m}^2}}{36}$	
	=	2138.54 m ²	13
3. Maximum stock	=	Order point + Economic order quantity – (Minimum usage x Minimum order period)	
	=	120 000 m ² + 2138.54 m ² – ((180 x 8m ²) x 3)	
	=	122 138.54 m ² – 43 200 m ²	
	=	78 938.54 m ²	9

4. Average stock	=	EOQ/2 + safety stock	
	=	2138.54 m ² /2 + 4900 x 8 m ²	
	=	1069 m ² + 39 200 m ²	
	=	40 269 m ²	6

Question 3

Material control account

Balance	b/d	✓63 500	Manufacturing Overheads		✓48 000
Creditors		✓650 000	Bank		✓100 000
Bank		✓350 000	Creditors		✓150 000
			Production		✓676 500
			Balance	c/d	✓89 000
		✓1 063 500			✓1 063 500
Balance	b/d	✓89 000			

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Production control account

Balance	b/d	✓80 000	Finished goods		✓1 704 200
Material control account (Direct material)		✓✓676 500			
Labour control account (Direct labour)		✓750 000			
Manufacturing Overheads		✓✓239 700			
			Balance	c/d	✓42 000
		✓1 746 200			✓1 746 200
Balance	b/d	✓42 000			

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Manufacturing overheads

Material control account (Indirect material)		✓ 48 000	Production control account		✓ 239 700
Labour control account		✓ 42 700			
Depreciation on Plant		✓ 22 000			
Plant and machinery maintenance		✓ 60 000			
Rates & taxes: Plant		✓ 20 000			
Production equipment rental		✓ 47 000			
		✓ 239 700			✓ 239 700

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Finished goods

Balance	b/d	✓ 14 000	Cost of goods		✓ 1 686 200
Production control account		✓ ✓ 1 704 200			
			Balance	c/d	✓ 32 000
		✓ 1 718 200			✓ 1 782 200
Balance	b/d	✓ 32 000			

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Question 4

9 marks

Organogram of W110 Manufacturers

