

SOLUTIONS TO HOMEWORK: SESSION 19
TOPIC: CONSOLIDATION

QUESTION 1**1.1 MULTIPLE-CHOICE QUESTIONS**

1.1.1	B ✓✓	
1.1.2	C ✓✓	
1.1.3	A ✓✓	
1.1.4	C ✓✓	

(8)

1.2.1 ✓ ✓ ✓ ✓ (259 125 ✓ – 2 100 ✓) ✓

$$160\,000 + 1\,023\,475 + 22\,500 + 3\,750 - 257\,025 = 952\,700$$

$$160\,000 + 1\,023\,475 + 22\,500 + 3\,750 - 259\,125 + 2\,100 = 952\,700$$

Raw Materials Stock

Balance	✓ 160 000	Direct Material Cost	☑ 952 700
Bank / Creditors' control	✓ 1 023 475	Balance (259 125 ✓ – 2 100 ✓)	257 025
Carriage on Purchases (22 500 ✓ + 3 750 ✓)	26 250		
	<u>1 209 725</u>		<u>1 209 725</u>

(7)

1.2.2 NOTES TO THE FINANCIAL STATEMENTS

DIRECT LABOUR COST		R
Production wages (723 800 ✓ + 6 200 ✓)	✓	730 000
UIF contribution	☑	7 300
	☑	<u>737 300</u>

(5)

FACTORY OVERHEAD COST		R
Salary of foreman	✓	150 000 or 151 500
Consumable stores – factory 6 000 ✓ + 43 000 ✓ - 7 000 ✓	☑	42 000
Depreciation 177 500 ✓✓ + 12 500 ✓✓ Or 101 250 ✓✓ + 88 750 ✓✓		190 000
Water and electricity (163 000 ✓ + 4 200 ✓) x 60% ✓ Or 97 800 ✓ + 2 520 ✓✓		100 320
Sundry expenses	✓	194 680
	☑	677 000 or 678 500

(16)

1.2.3 PRODUCTION COST STATEMENT OF FATIMA MANUFACTURERS FOR THE YEAR ENDED 28 FEBRUARY 2010

		TOTAL
Direct materials cost	See 3.2.1	☑ 952 700
Direct labour cost	See 3.2.2	☑ 737 300
Prime cost		☑ 1 690 000
Factory overhead cost	See 3.2.2	☑ 677 000 or 678 500
Total cost of production		2 367 000 or 2 368 500
Work-in process at the beginning of the year		✓ 158 000
		2 525 000 or 2 526 500
Work-in process at the end of the year		☑ (125 000) or (126 500)
Total cost of production of finished goods (198✓ / 1,65✓) x 20 000 ✓ Or 198✓ / (165 / 100) ✓ x 20 000✓ Or 120 ✓✓ x 20 000 ✓ Or (48,30 + 37,38 + 34,32) ✓✓ x 20 000 ✓		2 400 000

(10)

1.2.4 (a) Explanation: ✓

Yes, she should be concerned as units produced is close to BEP

Or

Yes, as the BEP has increased significantly from the previous year

Or

No, she is still exceeding the BEP.

Quoting of figures: ✓✓ Any two valid figures which support the explanation

Compare 20 000 units produced to BEP of 19 548 (difference 452 units counts as two figures)

Or BEP is 97,7% of total units (97,7% counts as two figures)

Or Compare BEP 19 548 to 11 300 of the previous year (difference 8 248 units counts as two figures)

Or Compare units of 20 000 to 24 000 of previous year – affects BEP (difference 4 000 units counts as two figures)

(3)

(b) Any valid explanation (other than price changes), e.g.

Raw materials cost per unit	There was less wastage (or more efficiency) of raw materials in producing the product. ✓✓
Direct labour cost per unit	Workers were more efficient in producing each article. ✓✓ OR Less overtime worked. OR Higher skilled workers. OR More efficient machinery.
Factory overhead cost per unit	The number of units produced decreased from 24 000 to 20 000 units resulting in an increase in the FOHC per unit (from R30,25 per unit to R34,32) as these costs are fixed. (Note to marker: Total FOHC decreased from R1 110 000 to R959 270; there were no increases in costs) ✓✓ OR Wastage in some costs e.g. water & electricity. OR Extra depreciation on new equipment.

(6)

[55]