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| **QUESTION 3** |  |  |

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| 3.1 | **BAKONA BIN MANUFACTURERS**  You are provided with information relating to Bakona Bin Manufacturers for the year ended 28 February 2009. the business makes and sells only one type of product, namely plastic rubbish bins. |  |  |

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|  | **REQUIRED:** |  |  |

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|  | 3.1.1  3.1.2  3.1.3 | Prepare the following notes to the Production Cost Statement:   * Direct/Raw material cost * Direct labour cost * Factory overhead cost   Prepare the Production Cost Statement.  Calculate the unit cost of production per plastic bin completed. |  | (7)  (7)  (16)  (10)  (3) |

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| **INFORMATION:** |  |  |

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| **1.** | **Units produced:** |  |  |
|  | 58 000 bins were completed during the financial year. |  |  |

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| **2.** | **Stock balances:** |  |  |  |  |
|  |  | **1 March 2008** | **28 February 2009** |  |  |
|  | Direct/Raw material stock | R57 900 | R34 200 |  |  |
|  | Work-in-process stock | 169 500 | 120 600 |  |  |
|  | Factory indirect material stock | 8 100 | 7 400 |  |  |

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| **3.** | **Transactions for the year:** |  |  |  |
|  |  | **R** |  |  |
|  | Raw material purchased for cash and on credit | 1 622 700 |  |  |
|  | Defective raw material returned to suppliers | 23 100 |  |  |
|  | Carriage on raw materials purchased | 28 800 |  |  |
|  | Salaries: |  |  |  |
|  | * Factory foreman | 241 000 |  |  |
|  | * Office workers | 270 000 |  |  |
|  | Wages: |  |  |  |
|  | * Office workers | 48 000 |  |  |
|  | * Factory workers in the production process (see Information 4 below) | ? |  |  |
|  | UIF contributions (to be allocated to each specific cost account): |  |  |  |
|  | * Factory workers in the production process | 11 520 |  |  |
|  | * Factory foreman | 2 410 |  |  |
|  | * Office workers | 2 700 |  |  |
|  | Factory indirect material purchased | 125 900 |  |  |
|  | Sales of finished goods (R120 per unit) | 7 800 000 |  |  |
|  | Commission to salespersons (10% of sales) | ? |  |  |
|  | Advertising | 145 000 |  |  |
|  | Factory maintenance | 85 000 |  |  |
|  | Bad debts | 8 400 |  |  |
|  | Rent allocated in proportion to floor space (see Information 5 below) | 133 000 |  |  |
|  | Bins stolen (rand value) | 960 |  |  |
|  | Water and electricity (see Information 6 below) | 36 000 |  |  |
|  | Depreciation on factory equipment | 52 000 |  |  |
|  | Sundry administration expenses | 150 800 |  |  |
|  | Sundry factory expenses | 25 000 |  |  |

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| **4.** | **Factory workers in the production process:** |  |  |  |
|  | Number of factory employees working directly on the bins (unchanged throughout the year) | 12 employees |  |  |
|  | Number of normal hours worked by each factory worker during the year | 1 600 hours |  |  |
|  | Number of overtime hours worked by each factory worker during the year | 240 hours |  |  |
|  | Wage rate (normal) | R 60 per hour |  |  |
|  | Wage rate (overtime) | R100 per hour |  |  |

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| **5.** | **Floor space:** |  |  |  |  |  |
|  |  | **Factory** | **Office** | **Sales dept.** |  |  |
|  | Square metres | 1 200 sq. metres | 600 sq. metres | 600 sq. metres |  |  |

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| **6.** | **Water and electricity:** |  |  |
|  | 15% of the amount is allocated to the office and 25% to the sales department. The rest applies to the factory. |  |  |

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| **3.2** | **KOOL MANUFACTURERS**  This business makes plastic vuvuzelas. The information below relates to the year ended 30 June 2009. |  |  |

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| --- | --- | --- | --- | --- |
|  | Number of vuvuzelas produced | 12 000 |  |  |
|  | Sales for the year (all manufactured units were sold) | R480 000 |  |  |
|  | Total fixed costs | R210 000 |  |  |
|  | Total variable costs | R300 000 |  |  |

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|  | 3.2.1  3.2.2  3.2.3  3.2.4 | Give ONE example of a fixed cost and ONE example of a variable cost.  Explain why it is important to calculate the expected break-even point for a business before the start of a financial year.  Use the figures above to calculate the break-even point.  Comment on your calculation in QUESTION 3.2.3. What advice would you offer Kool Manufacturers? Briefly explain. |  | (2)  (2)  (5)  (3) |

**QUESTION 3**

**PRODUCTION COST STATEMENT**

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| **3.1.1 BAKONA BIN MANUFACTURERS**  **NOTES TO THE FINANCIAL STATEMENTS** |

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|  | **DIRECT/RAW MATERIAL COST** |  | **R** |
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|  | **DIRECT LABOUR COST** |  | **R** |
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|  |  |  |  |
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| --- | --- | --- | --- |
|  | **FACTORY OVERHEAD COST** |  | **R** |
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**3.1.2 PRODUCTION COST STATEMENT OF BAKONA BIN MANUFACTURERS**

**FOR THE YEAR ENDED 28 FEBRUARY 2009**

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| --- | --- | --- |
|  |  | **TOTAL** |
| **Direct material cost** |  |  |
|  |  | |
| **Prime cost** |  |  |
|  |  | |
| **Total cost of production** |  |  |
| **Work-in-process on 1 March 2008** |  | |
|  |  |  |
| **Work-in-process on 28 February 2009** |  | |
| **Cost of production of finished goods** |  | |

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| **3.1.3** | **Calculate the unit cost of production per plastic bin completed.** |

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| **3.2** | **KOOL MANUFACTURERS** |
| **3.2.1** | **One example of a fixed cost:**  **One example of a variable cost:** |
|  | |

|  |  |
| --- | --- |
| **3.2.2** | **Explain why it is important to calculate the expected break-even point for a business before the start of a financial year.** |
|  |  |
| **3.2.3** | **Calculate the break-even point.** |
|  |  |
| **3.2.4** | **Comment on your calculation in QUESTION 3.2.3. What advice would you offer Kool Manufacturers? Briefly explain.**  **Comment:**  **Advice:** |