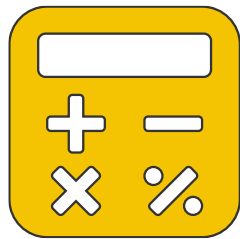


# 2024 ACTIVITIES & WORKBOOK

## Grade 12



# ACCOUNTING

A joint initiative between the Western Cape Education Department and Stellenbosch University.



Western Cape  
Government

FOR YOU

Education



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## INTRODUCTION AND SESSIONS

Dear Grade 12 Accounting learner

Welcome to the Telematics project. The 2024 Gr 12 Accounting programme aims to strengthen your understanding of the Accounting process and focuses on some of the **basic knowledge and skills** necessary to be successful in Accounting.

Use this opportunity to consolidate what was taught in class. The 2024 Telematics lessons will provide clarity on year-end adjustments, financial statements, financial indicators, stock valuation and cost accounting on grade 12 level.

You can work through the activities on your own or with study buddies, but you will enjoy the most value if you also join the live video lessons and interact with the presenter by asking questions via SMS, WhatsApp or the Telematics Facebook page.

With this subject you will be equipped with valuable life skills that you can apply in any career and in your own personal life, like orderliness, thoroughness, neatness, meticulousness, accuracy, ethical behaviour, sound judgement, organisation as well as critical, logical and analytical abilities.

**Accounting is an exciting, interesting and dynamic subject. Decide right now to enjoy it, and even better, to love it!**

“**PERSEVERANCE** is not a long race; it is many short races one after the other” : **Walter Elliot**

Break down your work into manageable tasks, and view challenges as opportunities for growth.

Be passionate about your Accounting, have a vision of what you would like to achieve with it and act upon your passion and vision by working hard at the subject and you will succeed.

All the best.

Mrs JP Conradie

WCED SCP Accounting

Session	Date	Time	Topic
1	10/04/2024 Eng 11/04/2024 Afr	15h00-16h00	Financial statements & notes
2	08/05/2024 Eng 09/05/2024 Afr	15h00-16h00	Financial indicators
3	15/07/2024 Eng 16/07/2024 Afr	15h00-16h00	Stock valuation
4	29/07/2024 Eng 30/07/2024 Afr	15h00-16h00	Cost Accounting



## TERMINOLOGY

### Cheat sheet for doing adjustments

An adjustment means that the balance in the pre-adjustment trial balance is adjusted (changed/increased/decreased) to a higher or lower amount. There are 9 adjustments in grade 12 Accounting.

	Adjustment	Accounts affected	
		Debit	Credit
1	Bad debts	Bad debts (+)	Debtors control (-)
2	Trading stock deficit	Trading stock deficit (+)	Trading stock (-)
3	Consumable stores on hand	Consumable stores on hand (+)	Stationery/Packaging (-)
4	Accrued income	Accrued income (+)	Rent income (+)
5	Income received in advance	Rent income (-)	Income received in advance (+)
6	Accrued expense	Telephone (+)	Accrued expense (+)
7	Prepaid expense	Prepaid expense (+)	Insurance (-)
8	Depreciation	Depreciation (+)	Accumulated depreciation on vehicles (+)
			Accumulated depreciation on equipment (+)
9	Provision for bad debts	Provision for bad debts adjustment (+) <i>(if provision increases)</i>	Provision for bad debts (+) <i>(if provision increases)</i>
		Provision for bad debts (-) <i>(if provision decreases)</i>	Provision for bad debts adjustment (+) <i>(if provision decreases)</i>

**Key:** **WHITE** accounts are Statement of comprehensive income accounts  
**GREY** accounts are Statement of financial position accounts



## SESSION 1 | Financial Statements &amp; notes

**TIPS FOR PREPARING THE STATEMENT OF COMPREHENSIVE INCOME**

Use the systematic and logical processes outlined below. This will save valuable exam writing time and ensures that you can earn part marks or even full marks.

**THE STEPS ARE:**

- Write the pre-adjustment amount in pencil in the framework / answer book next to the appropriate item before any adjustment is taken into account, e.g. Insurance ( 1 200 ...
- Start with the first adjustment. READ the adjustment.
- Decide on the double entry, i.e. which account is to be debited and which account is to be credited. Show a “+” or a “-” next to the amount already entered next to the item on your answer sheet (see Step 1), e.g.. 1 200 +
- Write the adjustment amount next to the sign, e.g. 1 200 + 300
- Once all the “calculations’ of the adjustments are done, write the final amount for each item in the last column on the righthand side of the statement, e.g. 1 500.
- Do not erase your workings, as it can be used for awarding part or method marks if the final answer (see Step 5) is incorrect.



## SESSION 1 | Statement of Comprehensive Income

### Activity 1.1: Statement of Comprehensive Income

The following information relates to City Traders Ltd for the financial year ended on 30 June 2022.

#### REQUIRED:

Complete the Statement of Comprehensive Income (Income Statement) for the year ended 30 June 2022.

#### INFORMATION:

##### A Extract from the Pre-adjustment trial balance on 30 June 2022.

Sales	6 720 000
Rent Income	153 120
Directors Fees	?
Salaries and Wages	812 000
Employers' contribution	22 080
Advertising	11 650
Audit fees	120 000
Depreciation	340 000
Sundry expenses	432 110

- B** The Rent Income for July 2022 has already been received. Note that the monthly rent was decreased by 8% p.a. effective from 1 May 2022.
- C** The company has three directors. Two of the directors receive an annual fee of R192 000 each. The third director receives 10% less than the other directors. All three directors received the full amount for the year and the bookkeeper recorded this amount in the salaries and wages account, in error.

The third director however, decided to resign and this was approved on 30 May 2022. He promised to return the fees that he received for the period that he would not be serving the company.

- D** One employee was omitted from the Salaries journal for June 2022 while she was on maternity leave. Her salary is as follows:

Deductions		Employer's Contribution	Net Salary
PAYE	Medical Aid	Medical Aid	
2 050	970	1 920	6 700

- E** Advertising excludes an amount of R7 500 paid for the period 1 May to 30 September 2022. A fixed rate is applied monthly.
- F** Interest on investment was received and recorded. This is the balancing figure.
- G** Loan Statement received, shows interest of R36 000, capitalised.
- H** Income Tax amounted to R272 700. This is 30% of the net profit.



## SESSION 1 |



## Activity 1.1 (Answer sheet)

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

Sales	6 720 000
Cost of sales	
Gross profit	
Other operating income	
Gross operating income	2 662 080
Operating expenses	
Audit fees	120 000
Depreciation	340 000
Sundry expenses	432 110
Operating profit	
Interest income	
Operating profit before interest expense	
Interest expense	
Net profit before tax	
Income tax	(272 700)
Net profit after tax	



## SESSION 2 | ANALYSIS AND INTERPRETATION OF FINANCIAL STATEMENTS

### ANALYSIS OF FINANCIAL STATEMENTS ①/②

Financial statements tell the 'story' of the company.  
Analysing the statements helps to understand this story.

#### How to comment on financial indicators:

##### ➤ Compare:

- Targets/Goals set by the company, e.g. % profit margin use vs the actual % achieved.
- Indicators of the same company with previous year's figures (to determine improvement / decline / deterioration)
- Indicators of two or more companies in the same industry
- Interest rates of alternative investments with ROSHE
- Interest rates of loans with ROTCE
- **Suggest** alternative direction or solution to improve the current (negative) situation.

#### EXAM TIPS:

- Know the formula BUT do not write it down in the exams - no marks are allocated for it. (The Formula sheet is given only to confirm the correct formula used. Do not rely on it.)
- Problem solving (requires creative thinking and our own opinion) is part of analysis and interpretation questions.
- You may be required to analyse possible investment in two companies (compare risk, gearing, return on investment in both companies) [ENSURE that you understand the financial gearing to be able to comment and compare effectively.
- You may also be asked to compare two financial years of one and/or two companies.



## SESSION 2 | Analysis and interpretation of financial statements

### FINANCIAL INDICATORS

Financial statements are analysed to find answers to certain questions. Structure your comments with these 'questions' (below) in mind			
QUESTION	TERM	FINANCIAL INDICATOR	FORMULA
How profitable is the business; how well does it control its expenses and how effective is the business in its operation?	<b>Profitability and operating efficiency</b>	% Gross profit on sales <b>1 2</b>	$\frac{GP}{Sales} \times 100 = \dots \%$
		% Gross profit on CoS <b>1 2</b>	$\frac{GP}{CoS} \times 100 = \dots \%$
		% Operating profit on sales <b>1 2</b>	$\frac{OP}{Sales} \times 100 = \dots \%$
		% Operating expenses on sales <b>1 2</b>	$\frac{OE}{Sales} \times 100 = \dots \%$
		% Net income on sales <b>1 2</b>	$\frac{NI}{Sales} \times 100 = \dots \%$
Can the business repay its short-term debts; is the operating capital being handled efficiently? Cash flow problems?	<b>Liquidity</b>	Current ratio <b>1</b>	CA : CL
		Acid test ratio <b>1</b>	$\frac{CA - Inventory}{Debtors + Cash} : CL$
		Stock turnover rate <b>1 2</b>	$\frac{\text{Cost of Sales}}{\text{Average Trading Stock}}$ <i>The higher this number, the faster assets are turned into cash</i>
		Stock holding period <b>1 2</b>	$\frac{\text{Average Stock} \times 12 (365)}{\text{Cost of Sales}} \quad 1 \quad (1)$
		Debtors' collection period <b>1 2</b>	$\frac{\text{Average Debtors}}{\text{Credit Sales}} \times 365$ <i>Aim is 30 days</i>
		Creditor's payment period <b>1 2</b>	$\frac{\text{Average Creditors}}{\text{Credit Purchases}} \times 365$ <ul style="list-style-type: none"> <li>• Good, when it takes longer to repay creditors</li> <li>• Negotiate for 90 days to avoid interest</li> </ul>
Can the business repay its debt?	<b>Solvency</b>	Owners' equity or Net assets (for sustainability/continuity) <b>1</b>	Total assets : total liabilities





## SESSION 2 | Analysis and interpretation of financial statements

Do the owners earn a good return on their capital invested in the business?	Return on investment	Return on shareholders' equity (ROSHE) ①	$\frac{\text{Net profit after Tax} \times 100}{\text{Average SHE}}$ Compare this % with alternative investments, e.g. fixed deposit interest %
		Earnings per share (EPS) ①	$\frac{\text{Net profit after Tax}}{\text{No. of shares issued}} \times 100 = \dots c$ It shows the profit per share <u>available</u> for sharing with shareholders
		Dividends per share (DPS) ①	$\frac{\text{Dividends}}{\text{No. of shares issued}} \times 100 = \dots c$ It is the proportional share of the profit paid + owed to shareholders. <b>**EPS - DPS = retained profit per share for future expansion</b>
		Net asset value per share (NAVPS) ①	$\frac{\text{Total SHE}}{\text{No. of shares issued}} \times 100 = \dots c$ <ul style="list-style-type: none"> <li>- Compare to issued or ave. price of shares and to market (JSE) price of shares.</li> <li>- If the NAVPS increases, it shows that profits are retained; company is expanding and is wealth growing.</li> <li>- When company issues more shares, it should be at NAV to retain wealth.</li> </ul>
To what extent is the business funded by borrowed capital, and to what degree does it affect the financial risk? Can the business borrow more money? Is it worth it?	Risk / gearing	Debt : Equity ratio ①	<b>LT Liabilities : SHE = (... : 1)</b> <b>SHE = Share capital + Retained Inc</b> <ul style="list-style-type: none"> <li>- Creditworthiness = ability to obtain loans.</li> <li>- High risk/low creditworthiness = 0,5 : 1 to 1 : 1 (opt to issue shares)</li> <li>- Low risk /high creditworthiness = 0,1 : 1 to 0,4 : 1 (borrow more)</li> <li>- Compare this ratio before and after a change in loans to show the change in risk levels</li> </ul>
		Return on total capital employed (ROTCE) ①	$\frac{\text{Net Inc before tax and int.} \times 100}{\text{Ave. capital employed}}$ <b>[Capital employed = SHE + LT loans]</b> Compare to % interest on loans. <ul style="list-style-type: none"> <li>- Higher = high leverage; loans are used to expand and improve return/profit.</li> <li>- Lower = low leverage; loans not used effectively to improve return/profit. May not be able to repay loans with interest.</li> </ul>



## SESSION 2 | Analysis and interpretation of financial statements

### Activity 2.1

#### 2.1 FINANCIAL INDICATORS OF TWO COMPANIES

Your friend, Peter, is considering buying shares in a company that sells sportswear. He asks you for advice and presents you with the following financial indicators of two companies he is contemplating. The companies are of similar size, and they have issued the same number of shares.

#### NOTE:

When answering the questions, compare the information given and quote relevant financial indicators of both companies (percentages, ratios and/or figures).

#### REQUIRED:

- 2.1.1 Zee Ltd is more liquid than Ryan Ltd. Quote and explain TWO financial indicators (with figures) to prove your agreement
- 2.1.2 Which company uses more loans? Quote and explain a financial indicator to support your answer. Explain whether this is a good idea or not.
- 2.1.3 Explain why you think the market price of Ryan Ltd's shares is much better than that of Zee Ltd. Quote and explain TWO financial indicators to support your answer.
- 2.1.4 Which company is more likely to expand its business? Explain your answer by using relevant calculations.
- 2.1.5 Ryan Ltd has a better percentage return, earnings and dividends than Zee Ltd. Explain THREE financial indicators to support this opinion.

#### INFORMATION:

	Ryan Ltd	Zee Ltd
Market price per share on the JSE	755 cents	590 cents
Net asset value per share	605 cents	625 cents
Earnings per share (EPS)	813 cents	179 cents
Dividends per share (DPS)	537 cents	182 cents
% return on shareholders' equity	28,5%	11,5%
% return on capital employed (before tax)	35,6%	12,4%
% interest rate on loans	14%	14%
Debt/Equity ratio	0,2 : 1	1,9 : 1
Current ratio	5,8 : 1	1,7 : 1
Acid-test ratio	3,7 : 1	0,8 : 1
Debtors' average collection period	55 days	26 days



## SESSION 2 | Analysis and interpretation of financial statements



### Activity 2.1: Answer sheet

2.1.1 Zee Ltd is more liquid than Ryan Ltd. Quote and explain TWO financial indicators (with figures) to prove your agreement.

2.1.2 Which company uses more loans? Quote and explain a financial indicator to support your answer. Explain whether this is a good idea or not.

2.1.3 Explain why you think the market price of Ryan Ltd's shares is much better than that of Zee Ltd. Quote and explain TWO financial indicators to support your answer.

**SESSION 2 | Analysis and interpretation of financial statements**

**2.1.4 Which company is more likely to expand its business? Explain your answer by using relevant calculations.**

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**2.1.5 Ryan Ltd has a better percentage return, earnings and dividends than Zee Ltd. Explain THREE financial indicators to support this opinion.**

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## SESSION 2 | Analysis and interpretation of financial statements

### Activity 2.2: PROGRESS LTD

You are provided with information from the financial statements of Progress Ltd.

The financial year ended on 29 February 2023

#### REQUIRED:

- 2.2.1 Calculate the net asset value per share on 29 February 2023.
- 2.2.2 Calculate the return on total capital employed for the 2023 financial year.
- 2.2.3 The directors of Progress Ltd want to take out a loan for R500 000. Would you advise them to take out the loan? Quote ONE financial indicators (actual figure/ratio/percentage) that are relevant to their decision.

#### INFORMATION FROM FINANCIAL STATEMENTS AT THE END OF THE FINANCIAL YEARS

	2023	2022
Shareholders' equity	1 630 000	1 280 000
Shares issued	400 000	300 000
Loan: Direct Loans	380 000	520 000
Current assets	488 000	412 000
Current liabilities	621 000	578 000
Total assets	2 631 000	2 378 000
Net profit before income tax	620 000	388 000
Net profit after income tax	452 600	429 240
Interest expense	76 200	68 400

#### FINANCIAL INDICATORS AT THE END OF THE FINANCIAL YEARS

	2023	2022
Debt/Equity ratio	0,23 : 1	0,41 : 1
Current ratio	0,79 : 1	0,71 : 1
Asset test ratio	0,50 : 1	0,45 : 1
Return on total capital employed	?	25,4 %
Return on shareholders' equity	24,3 %	36,1 %
Solvency ratio	2,6 : 1	2,2 : 1

**SESSION 2 | Analysis and interpretation of financial statements****Activity 2.2**

**2.2.1 Calculate the net asset value per share on 29 February 2023.**

**2.2.2 Calculate the return on total capital employed for the 2023 financial year.**

**2.2.3 The directors of Progress Ltd want to take out a loan for R500 000. Quote ONE financial indicator (actual figure/ratio/ percentage) that are relevant to their decision. Would you advise them to take out the loan?**



## SESSION 3 | STOCK VALUATION



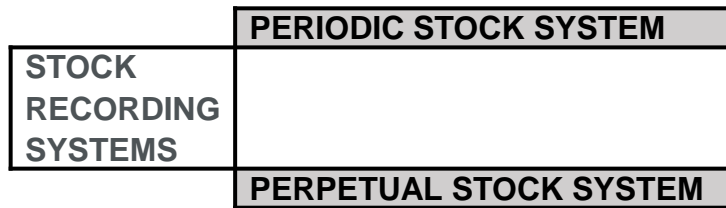
### EXPLANATORY NOTES

Trading stock represents the most valuable and least liquid current asset

#### Trading stock and how it will appear on the Statement of Financial Position

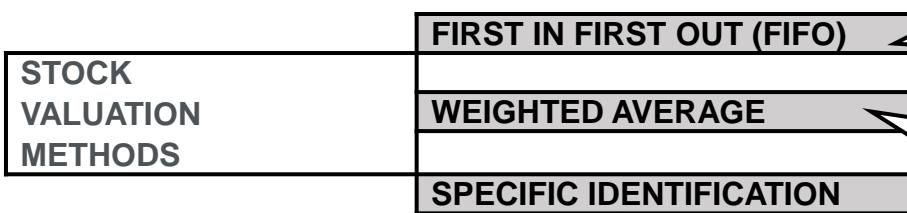
<b>Non-current assets</b>	
<b>Current assets</b>	195 000
<b>Trading stock</b>	<b>140 000</b>
Trade and other receivables	80 000
Cash and cash equivalents	5 000

This amount is the actual amount of stock, after a physical stock count.



- Consist of Trading Stock and Cost of Sales account
- Stock-take done to verify stock deficit/surplus

- Trading Stock is recorded as Purchases account.
- Stock-take done to establish stock balance (Closing stock / unsold)
- Cost of sales must be calculated.



- Stock is sold in the order of purchase.
- Closing stock is valued at the most recent prices.

- Suited for similar valued stock, purchased regularly.
- Closing stock is valued at the average unit cost at the end of a specific period.

- Large, unique, individually recognizable items
- Recorded at their invoice price.
- Closing stock is the total amount of unsold items.

#### CALCULATION OF COST OF SALES WHEN USING PERIODIC STOCK SYSTEM:

$$\text{Cost of Sales} = \text{Opening Stock} + \text{Purchases} + \text{Carriage on Purchases} - \text{Returns} - \text{Closing Stock}$$



## SESSION 3 | Stock valuation: FIFO

### Activity: 3.1: FIFO

#### LWETHU'S ELECTRONICS

Lwethu Mbane sells Laptops, and his financial year ends on 30 March 2023

#### REQUIRED:

- Calculate the value of the closing stock on 30 March 2023 using the first-in-first-out (FIFO) method.
- Lwethu suspects that laptops have been stolen. Provide a calculation to support his concern.
- Lwethu is concerned about the volume of stock on hand.
  - Calculate for how long his closing stock is expected to last.
  - State ONE problem with keeping too much stock on hand and ONE problem with keeping insufficient stock on hand

#### INFORMATION:

##### Stock balances:

	UNITS	UNIT PRICE	TOTAL
Opening stock	420	R2 175	R913 500
Closing stock	496		?

##### Purchases, returns and carriage:

<b>Purchases</b>	<b>3 155</b>		<b>R8 460 850</b>
September 2022	850	R2 250	R1 912 500
December 2022	980	R2 670	R2 616 600
January 2023	875	R2 930	R2 563 750
March 2023 (see returns)	450	R3 040	R1 368 000
<b>Returns (from March purchases)</b>	<b>25</b>	<b>R3 040</b>	<b>R76 000</b>

##### Sales:

3 050 laptops were sold at R4 200 each.



**SESSION 3: Stock valuation: FIFO****Activity 3.1 : Answer sheet for FIFO**

1. Calculate the value of the closing stock on 30 March 2023 using the first-in-first-out (FIFO) method.

2. Lwethu suspects that laptops have been stolen. Provide a calculation to support his concern.

3. Lwethu is concerned about the volume of stock on hand.
- Calculate for how long his closing stock is expected to last.
  - State ONE problem with keeping too much stock on hand and
  - ONE problem with keeping insufficient stock on hand.



## SESSION 3 | Stock valuation: Weighted Average

### Activity 3.2: Weighted Average

You are provided with information relating to Nathi Building Suppliers for March 2023. They buy boxes of floor tiles and sell them to retailers. They use the weighted-average method for stock valuation and the periodic inventory system.

#### REQUIRED:

1. Calculate the total value of the opening stock (A).
2. Calculate the value of the tiles received on the 25<sup>th</sup> of March 2023 (B).
3. Calculate the value of the closing stock using the weighted-Average method.
4. Calculate the gross profit.
5. Provide a calculation to prove that this business has good control over their stock.

#### INFORMATION:

	UNITS	UNIT PRICE	CARRIAGE ON PURCHASES	TOTAL
Opening stock (1 March 2023)	600	R85,00		(A)
Boxes of tiles purchased during the month	<b>3 160</b>			?
10 March 2023	1 000	R90,00	R4 500	R94 500
20 March 2023	1 200	R95,00	R5 700	R119 700
25 March 2023	960	R120,00	R5 760	(B)
Damaged tiles from 20 March purchases, returned to supplier. Carriage was not covered by supplier.	100	?		?
Sales for the month	2 510	R160,00		R401 600
Closing stock (30 March 2023)	1 150	?		?



## SESSION 3 | Stock valuation: Weighted Average



### Activity 3.2: Answer sheet

1. Calculate the total value of the opening stock (A).

2. Calculate the value of the tiles received on the 25<sup>th</sup> of March 2023 (B).

3. Calculate the value of the closing stock using weighted-Average method.

4. Calculate the gross profit.

5. Provide a calculation to prove that this business has good control over their stock.



## SESSION 3 | Stock valuation: Specific Identification

### Activity 3.3 : Specific Identification

Indi's Stores sells two types of women's watches:

- Fozzil watches, imported from Zambia, valued using the specific identification method.
- Zarmin watches, locally manufactured valued using weighted average method.

The financial year ended on 30 March 2023. No watches were stolen or lost during the financial year.

#### REQUIRED:

Calculate the following in respect of Fozzil watches on 30 March 2023

1. Value of closing stock
2. Cost of sales
3. Gross profit and % gross profit achieved.
4. Average stock-holding period (in days)

#### INFORMATION:

##### A. Information relating to Fozzil watches:

	UNITS	UNIT PRICE	TOTAL	UNITS SOLD	TOTAL SALES
<b>Opening Stock</b>	12	R6 500	R78 000	11	R104 500
<b>Purchases</b>	<b>35</b>				
September 2022	15	R7 200	R108 000		
January 2023	12	R7 200	R86 400	22	R209 000
March 2023	8	R7 200	R57 600		
	<b>47</b>			<b>33</b>	

- Cost Price of Fozzil watches includes transport costs and custom duties.
- These watches are sold at R9 500 each.



## SESSION 3 | Stock valuation: Specific identification

### Activity 3.3: Specific Identification

1. Value of closing stock

2. Cost of sales

3. Gross profit and % gross profit achieved.

4. Average stock-holding period (in days)



## SESSION 4 | COST ACCOUNTING

### Basic concepts and calculations

<b>Direct material cost (DMC)</b>	Opening stock (OS)+ Purchases + Carriage on purchases - Closing stock (CS) = Raw materials used
<b>Direct labour cost (DLC)</b>	Normal wages (no. of workers x no. of hours x rate) ADD Overtime (no. of workers x no. of hours x rate) ADD UIF/Medical/Pension contributions
<b>Factory / Manufacturing overheads (FOHC)</b>	Indirect material (Opening stock (OS) + Purchases - Closing stock (CS)) Indirect labour (Cleaners, security, foreman) ADD contributions UIF/Pension Depreciation of Factory equipment Water & Electricity (Factory) All other factory expenses
<b>Unit costs</b>	Total cost divided by number of units produced
<b>Fixed cost</b>	FOHC + Administration costs (AC)
<b>Variable cost</b>	DMC + DLC + Selling & Distribution costs (SDC)

### FORMAT OF THE PRODUCTION COST STATEMENT

material cost	
+Direct labour cost	
=Prime cost	
+Factory overhead cost	
=Total cost of production	
+Work in process beg year	
-Work in process end year	( )
=Total cost of production of finished goods	**

### FORMAT OF THE ABRIDGED INCOME STATEMENT (short format)

Sales	
Less Cost of Sales (CoS)	(.....)
[OS + Cost of finished goods** - CS]	
Gross profit	
Selling & Distribution costs	
Administration costs	
Net profit	

### Calculating the cost per unit of certain cost items will reveal:

- = which costs are higher/ lower as the budgeted costs,
- = which items are exceptionally high and need to be controlled carefully = how costs compare to previous years.

### Calculate the break-even point (BEP):

- = BEP determines the **quantity** produced where **no** profit or loss is shown; = Income generated from sales is just enough to **cover** costs.

= **FORMULA:**

$$\frac{\text{TOTAL FIXED costs}}{\text{(selling price per unit - variable costs per unit)}} = \dots \text{Number of products/units}$$



## SESSION 4 | COST ACCOUNTING

### Activity 4.1

The following information relates to the financial year ended 28 February 2023. The business manufactures one type of product.

#### REQUIRED:

Calculate the following in order to prepare the note for factory overhead cost for the financial year end. Use the tables provided on the answer page.

- Consumable stores used in the factory (see A and B)
- Factory rent (see C)
- Factory water and electricity (see C)
- Factory insurance (see C)

Complete the Production Cost Statement on 28 February 2023.

#### INFORMATION:

A. Stock balances:	28 Feb 2023	28 Feb 2022
Work in progress stock	R145 800	R 35 100
Factory consumable stores	R 3 900	R2 500

#### B. Extract of transactions for year ended 28 February 2023 (before adjustments in Information C)

Raw material issued to the factory for production	R?
Consumable stores purchased for the factory	29 800
Production wages	525 000
Employer's contributions for workers in production	44 900
Rent expense for the office section	12 200
Water and electricity	54 400
Salaries: Factory foreman (including benefits)	102 400
Salaries: Sales staff (including benefits)	60 300
Insurance	33 500
Sundry expenses: Factory	47 040
Sales department	10 200



## SESSION 4 | Cost Calculations

### C. Additional information and adjustments:

- The following production wages was omitted from the Wages Journal for the last week of February 2023:

Net wage due to employee	R11 315
--------------------------	---------

Total deductions for this employee amounts to 27% of his gross wages.

The employer pays 11% of the gross wages to the Pension Fund and 1% to the UIF.

- Rent is shared between the factory, sales and administration in the ratio 6:3:2. Only the administration portion was recorded.
  - The February 2023 water and electricity account of R5 600 must still be paid. Note that 75% of this expense relates to the factory.
  - Insurance includes an additional premium of R5 700 paid for the period 1 January 2023 to 30 June 2023. This expense is allocated between the factory and sales department in the ratio 4: 1.
- D. Prime cost for the year after adjustments amounted to R1 380 000.
- E. The business produced 2 500 bags at a cost of R621 each.





## SESSION 4 | Cost Accounting / Manufacturing



### Activity 4.1

<b>4.1.</b>	<b>Calculate the following in order to prepare the note for factory overhead cost for the financial year end. Use the tables provided on the answer page</b>	
	<b>Workings</b>	<b>Answer</b>
	<b>Consumable stores used in the factory</b>	
	<b>Factory rent</b>	
	<b>Factory water and electricity</b>	
	<b>Factory insurance</b>	



## SESSION 4 | Cost Accounting / Manufacturing

### 4.1.1 FACTORY OVERHEAD COST NOTE

<b>Factory salary</b>	<b>102 400</b>
<b>Sundry expenses</b>	<b>47 040</b>

### 4.2 Production Cost Statement for the year ended 28 February 2023.

	<b>792 740</b>
<b>Prime cost</b>	<b>1 380 000</b>
<b>Total manufacturing cost</b>	
<b>Work in progress in the beginning</b>	<b>35 100</b>
<b>Work in progress at the end of the year</b>	



## SESSION 4 | Cost Accounting / Manufacturing

### 4.2 CALCULATING BREAKEVEN POINT

#### 4.2.1 Calculate the break-even point for men's Run Fast running shoes for 2023

	2023	2022
	R	R
Direct Material Cost	150,00	120,00
Direct Labour Cost	102,00	98,00
Selling and Distribution Cost	52,00	50,00
<b>VARIABLE COST PER UNIT</b>	<b>304,00</b>	<b>268,00</b>
Factory Overhead Cost	70,00	68,00
Administration Cost	30,00	30,00
<b>FIXED COST PER UNIT</b>	<b>100,00</b>	<b>98,00</b>
<b>Selling price per unit</b>	R 400,00	R 400,00
Number of units produced and sold	4 500 units	4 500 units
Break-even point	?	3 341 units

#### Answer sheet for breakeven point

Workings	Answer