

QUESTION 3

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.

REQUIRED:

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

INFORMATION:

1. **Units produced:**

58 000 bins were completed during the financial year.

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

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

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

5. Floor space:

	Factory	Office	Sales dept.
Square metres	1 200 sq. metres	600 sq. metres	600 sq. metres

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.

3.2 KOOL MANUFACTURERS

This business makes plastic vuvuzelas. The information below relates to the year ended 30 June 2009.

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

- 3.2.1 Give ONE example of a fixed cost and ONE example of a variable cost. (2)
- 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. (2)
- 3.2.3 Use the figures above to calculate the break-even point. (5)
- 3.2.4 Comment on your calculation in QUESTION 3.2.3. What advice would you offer Kool Manufacturers? Briefly explain. (3)

**3.1.2 PRODUCTION COST STATEMENT OF BAKONA BIN MANUFACTURERS
FOR THE YEAR ENDED 28 FEBRUARY 2009**

	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	

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:

