

90502



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

*For Supervisor's use only*

## Level 3 Accounting, 2007

### 90502 Process financial information for a manufacturing job cost subsystem

Credits: Three  
2.00 pm Tuesday 27 November 2007

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

You should answer ALL the questions in this booklet.

Show ALL working.

If you need more space for any answer, use the page(s) provided at the back of this booklet and clearly number the question.

Check that this booklet has pages 2–7 in the correct order and that none of these pages is blank.

**YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.**

<i>For Assessor's use only</i>		<b>Achievement Criteria</b>	
<b>Achievement</b>	<input type="checkbox"/>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
Prepare and/or explain accounting entries correctly for a manufacturing job cost subsystem.	<input type="checkbox"/>	Prepare and/or explain a range of accounting entries correctly for a manufacturing job cost subsystem.	<input type="checkbox"/>
			Prepare and explain a wide range of accounting entries correctly for a manufacturing job cost subsystem.
		<b>Overall Level of Performance</b>	<input type="checkbox"/>

You are advised to spend 25 minutes answering the questions in this booklet.

### QUESTION ONE

This question relates to *Cycle Time Ltd*, which manufactures a range of mountain bikes.

Direct labour is paid at **\$25 per hour**.

Factory overhead is allocated at a rate of **\$7.50 per direct labour hour**.

The documents below provide a summary of the manufacturing information for *Cycle Time Ltd* for the month ended 31 July 2007.

Monthly Time Sheet Summary Total hours for July	
Job No.	Total Hours
77	120
79	240
80	160
Maintenance	40

Factory Overhead Expenses (excluding GST)	
Item	Amount \$
Depreciation	3 000
Electricity	1 000
General	3 200

#### Additional information:

- **Job 76**, which was completed in June at a total cost of \$1 600, was sold on 7 July 2007 on credit to *Bike Warehouse*.
- **Job 77** was started and completed during July. Materials costing \$2 100 were allocated to Job 77.

- (a) Show the sale of **Job 76** in the General Journal below. The GST exclusive price of jobs is their cost marked up 120%. You are NOT required to show the transfer from finished goods to cost of goods sold.

#### *Cycle Time Ltd* General Journal

07/07/07			
	(Sale of Job 76 on credit to Bike Warehouse)		

- (b) Prepare the General Journal entry for the transfer of **Job 77** to finished goods on 25 July.

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**Cycle Time Ltd  
General Journal**

25/07/07			
	(Transfer Job 77 to finished goods)		

- (c) Prepare the Work-in-Progress Subsidiary Ledger account for **Job 79** for the month ended 31 July 2007. The raw materials entry has already been completed for you. Job 79 was still in progress on 31 July 2007.

Use EITHER the 3-column format OR the T-form format. **DO NOT write in both versions.**

**EITHER** 3-column

**Cycle Time Ltd  
Work-in-Progress Subsidiary Ledger  
Job 79**

31/07/07	Raw Materials	1 200		1 200	Dr

**OR** T-form

**Job 79**

31/07/07	Raw Materials	1 200			

- (d) Complete the materials requisition form below for **Job 80** by filling in the highlighted boxes. **Job 80** requires 15 metres of steel tubing that costs \$27, including GST, per metre. All raw material requisitions must be authorised on the approved form by Wirimu Kingi, the Production Manager.

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use only

<b>Cycle Time Ltd</b>		<b>Materials Requisition</b>		<b>No. 2681</b>
<b>Job No.</b>		Date <i>23 July 2007</i>		
<b>Quantity</b>	<b>Description</b>	<b>Unit Cost</b>	<b>Amount</b>	
			<b>\$</b>	
<b>Authorised by:</b>				
<b>Material received by:</b>		<i>K Green</i>		

- (e) Explain why the monthly time sheet summary will be important in costing **Job 80**.

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- (f) Explain why it is important to the **profitability** of *Cycle Time Ltd* that a **job cost card** is used for **Job 80**.

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**QUESTION TWO**

This question relates to *Fun Beds Ltd*, which is a manufacturer of beds for children.

The cost driver used to allocate overhead to jobs is machine hours.

The cost accountant for *Fun Beds Ltd* has **estimated** the following information associated with the manufacture of beds for the year ended 31 March 2007.

	<b>Estimate for year</b>
Direct Machine hours	24 000
Direct Labour hours	10 000
Direct Labour Cost	\$200 000
Direct Materials	\$400 000
Indirect Labour Cost	\$40 000
Depreciation – Factory	\$20 000
Other Overheads	\$60 000

- (a) Calculate *Fun Beds Ltd*'s allocation rate for overhead.

\$ \_\_\_\_\_ per machine hour

- (b) Explain why the use of an allocation rate will result in either under- or over-applied overhead at the end of the financial year.

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During March 2007, finished goods costing \$75 000 were sold. On 31 March 2007, the end of the financial year, the factory overhead control account in the general ledger had a debit balance of \$7 000. Under- or over-applied overhead is closed to Cost of Goods Sold at the end of the financial year.

- (c) Complete the Cost of Goods Sold account in the General Ledger for the year ended 31 March 2007. The balance on 1 March 2007 has been entered for you.

Use EITHER the 3-column format OR the T-form format. **DO NOT write in both versions.**

**EITHER** 3-column

**Fun Beds Ltd  
General Ledger  
Cost of Goods Sold**

01/03/07	Balance			450 000	Dr
31/03/07					

**OR** T-form

**Cost of Goods Sold**

01/03/07	Balance	450 000	31/03/07		
31/03/07					



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