

BACAY3A 2022 ASSIGNMENT 2

ANSWER SHEET

Instruction: Fill your answers into the appropriate column.

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a) Relevant costs and revenues for short-term decision-making

		Answer R
1	Food and drink at meeting	-
2	Material Z	78000
3	Construction workers	-
4	Engineers	4485
5	Specialist machine	15250
6	Windows	1500
7	Other materials	6000
8	Material W5	8400
9	Fixed overhead	-
10	Profit margin	-
11	Total relevant cost	113635

b) Reasons for categorization of costs as relevant and/or irrelevant (Note: provide 5; one for any item of your choosing)

- **Material Z** : this material is constantly used or regularly used by the company, and inventory of 550kg will be valued at replacement value of R65 and thus being a relevant cost at R78000.
- **Construction Workers**: This will be regarded as an irrelevant cost since the workers have been employed under a wage agreement and they'll get paid whether they work or not.
- **Windows**: The cost for windows was incurred in the past thus it is a sunk cost which makes it irrelevant
- **Fixed Overhead**: This cost is irrelevant as it will exist regardless of taking the contract at hand.
- **Food and drinking at meeting**: This cost is irrelevant as it has already occurred thus making it a sunk cost.