

Question 9

Note: In the case of candidates taking the Irish version of the paper: As a result of a typographical error in the Irish version of Question 9, accept computations based on either €269 or €260 as the sales figure for Supreme.

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Sales Budget	Super	Supreme
Expected sales in units	10,000	4,200
Expected selling price per unit	€220	€260
Budgeted Sales Revenue	€2,200,000	€1,092,000

Production budget	Super Units	Supreme Units
Required by sales	10,000 [3]	4,200 [3]
Closing stock (80% of opening stock)	<u>480</u> [3]	<u>360</u> [3]
	10,480	4,560
Opening stock	<u>600</u> [3]	<u>450</u> [3]
Budgeted production in units	<u>9,880</u>	<u>4,110</u>

Raw Materials Purchases Budget

	Material x Kgs	Material y Kgs	
Required by production – Super (9,880 x 7)	69,160 [2]	59,280 [2]	(9,880 x 6)
– Supreme (4,110 x 5)	<u>20,550</u> [2]	<u>32,880</u> [2]	(4,110 x 8)
	89,710	92,160	
Closing stock (80% of opening stock)	<u>4,000</u> [2]	<u>2,400</u> [2]	
	93,710	94,560	
Less Opening stock	<u>5,000</u> [2]	<u>3,000</u> [2]	
Required purchases of raw materials in Kg's	88,710	91,560	
Purchase Price	€3 [1]	€5 [1]	
Purchase Cost	€266,130	€457,800	€723,930

Production Cost/Manufacturing Budget

Cost of raw materials consumed:

Opening stock of raw materials	Super (5,000 x 2.50)	12,500	
	Supreme (3,000 x 4.50)	<u>13,500</u>	26,000 [4]
Purchases	(266,130 + 457,800)		<u>723,930</u> [2]
			749,930
Less closing stock of raw materials	Super (4,000 x 3)	12,000	
	Supreme (2,400 x 5)	<u>12,000</u>	<u>(24,000)</u> [4]
			725,930
Cost of Labour	(9,880 x 7 x 13)	899,080	
	(4,110 x 8 x 13)	<u>427,440</u>	1,326,520 [4]
Variable overheads	(9,880 x 7 x 4)	276,640	
	(4,110 x 8 x 4)	<u>131,520</u>	408,160 [6]
Fixed overheads			<u>204,080</u> [2]
Cost of Manufacture			<u>2,664,690</u> [4]

Question 9 – continued

Budgeted Trading Account

				€	
Sales of finished goods (2,200,000 + 1,092,000)				3,292,000	[2]
Opening stock of finished goods					
Super	(600 x 120)	72,000			
Supreme	(450 x 140)	<u>63,000</u>	135,000		[2]
Cost of Manufacture			<u>2,664,690</u>		[2]
			2,799,690		
Less Closing stock of finished goods					
Super	(480 x 180)	86,400			
Supreme	(360 x 210)	<u>75,600</u>	<u>(162,000)</u>	<u>2,637,690</u>	
Gross Profit				<u>654,310</u>	[4]

(e) [4]

- (i) **Capital Budget:** This budget deals with any planned capital expenditure e.g. purchase of fixed assets and planned capital receipts such as the sale of the fixed assets. Decisions relating to these items would be the responsibility of the board of directors. The carrying out of the capital budget is the responsibility of the financial controller.
- (ii) **Principal Budget Factor:** Apart from sales demand the principal budget factor could also be:
Supply of materials
Availability of labour
Capacity of the plant
Availability of capital