

## Question 9

(a)

### Production Budget

	<b>Light</b>	<b>Extra Light</b>
Budgeted Sales in units	12,000 [3]	3,500 [3]
+ Closing Stock	<u>585 [3]</u>	<u>450 [3]</u>
	12,585	3,950
- Opening Stock	<u>(650) [2]</u>	<u>(500) [2]</u>
Budgeted production (units)	<u>11,935</u>	<u>3,450</u>

(b)

### Materials Purchases Budget

	<b>Material A (Kgs.)</b>	<b>Material B (Kgs.)</b>	
<b>Required by Production</b>			
Light (11,935 x 8kgs)	95,480 [2]	107,415 [2]	(11,935 x 9kgs)
Extra light (3,450 x 6kgs)	<u>20,700 [2]</u>	<u>24,150 [2]</u>	(3,450 x 7kgs)
	116,180	131,565	
Closing stock (90% of opening stock)	<u>5,400 [2]</u>	<u>3,600 [2]</u>	
	121,580	135,165	
Less opening stock	<u>(6,000) [2]</u>	<u>(4,000) [2]</u>	
Budgeted purchases of R.M. in kgs.	115,580	131,165	
Purchase price	<u>€ [2]</u>	<u>€5.50 [2]</u>	
Purchases in €	<u>€462,320.00</u>	<u>€721,407.50</u>	<b>€1,183,727.50 Total</b>

(c)

### Production Cost/Manufacturing Budget

		€	€
Opening stock of raw material	Light	(6,000 x 3.5)	21,000
	Extra Light	(4,000 x 5.0)	<u>20,000</u>
			41,000.00 [4]
Purchases	Material A		462,320.00
	Material B		<u>721,407.50</u>
			1,183,727.50 [2]
			1,224,727.50
<b>Less</b>			
Closing stock of raw materials	Light	(5,400 x 4)	21,600
	Extra Light	(3,600 x 5.5)	<u>19,800</u>
			<u>(41,400.00) [4]</u>
			1,183,327.50
Labour cost	Light	(11,935 x 8 x 12)	1,145,760
	Extra Light	(3,450 x 9 x 12)	<u>372,600</u>
			1,518,360.00 [4]
Variable overhead	Light	(11,935 x 8 x 4.5)	429,660
	Extra Light	(3,450 x 9 x 4.5)	<u>139,725</u>
			569,385.00 [4]
Fixed overhead			<u>210,500.00 [2]</u>
<b>Cost of Manufacture</b>			<b><u>3,481,572.50 [3]</u></b>

(d)

<b>Budgeted closing stock per unit</b>		<b>Light</b>		<b>Extra Light</b>		
Material A	(8 kg x €4)	32.00	[1]	(6 kg x €4)	24.00	[1]
Material B	(9 kg x €5.50)	49.50	[1]	(7 kg x €5.50)	38.50	[1]
Direct labour	(8 hrs x €12)	96.00	[1]	(9 hrs x €12)	108.00	[1]
Variable overheads	(8 hrs x €4.50)	36.00	[1]	(9 hrs x €4.50)	40.50	[1]
Fixed overheads	(8 hrs x €1.66) <b>W 1</b>	<u>13.28</u>	[1]	(9 hrs x €1.66)	<u>14.94</u>	[1]
Cost per unit		<u>226.78</u>	[1]		<u>225.94</u>	[1]

**W 1 Fixed overheads per direct labour hour**

$$\frac{210,500}{(11,935 \times 8\text{hrs}) + (3,450 \times 9\text{hrs})}$$

$$\frac{210,500}{126,530} = \text{€1.66 [2]}$$

(e) [7]

A Master Budget is a summary of all the other budgets and provides an overview of the operations for the planned period.

A Master Budget for a manufacturing firm consists of:

- Budgeted manufacturing account
- Budgeted trading account and profit and loss account
- Budgeted balance sheet