

9. **Budgeting** (80)

(a) Production Budget (in units) (16)

<b>Production Budget of Al Houlei Ltd</b>	<u>Standard</u>	<u>Premium</u>
Budgeted Sales (units)	12,800 (3)	8,400 (3)
Add Closing Stock (120% of Opening Stock)	<u>900 (3)</u>	<u>600 (3)</u>
	13,700	9,000
Less Opening Stock	<u>(750)(2)</u>	<u>(500)(2)</u>
Budgeted Production (Units)	<u><u>12,950</u></u>	<u><u>8,500</u></u>

(b) Raw Materials Purchases Budget (in units and €) (20)

<b>Raw Materials Purchases Budget</b>	<u>Mat. R</u>	<u>Mat. S</u>
Required for Production		
Standard (12,950* × 3)	38,850 (2)	(12,950* × 4) 51,800 (2)
Premium (8,500* × 5)	<u>42,500 (2)</u>	<u>(8,500* × 6) 51,000 (2)</u>
	81,350	102,800
Add Closing Stock (120% of Opening Stock)	<u>4,800 (2)</u>	<u>2,400 (2)</u>
	86,150	105,200
Less Opening Stocks	<u>(4,000)(2)</u>	<u>(2,000)(2)</u>
Required Purchases of Raw Materials in kgs	82,150	103,200
Purchase Price	<u>€3.00 (2)</u>	<u>€4.50 (2)</u>
Purchases in €	<u><u>€246,450</u></u>	<u><u>€464,400</u></u>

(c) Production Cost/Manufacturing Budget (23)

<b>Production Cost / Manufacturing Budget</b>	€	€
<u>Direct Materials</u>		
Opening Stock of Raw Materials (4,000 × €2.50 + 2,000 × €4.00)		18,000 (4)
Purchase of Raw Materials (*246,450 + *464,400)		<u>710,850 (2)</u>
		728,850
Less Closing Stock of Raw Materials (*4,800 × €3.00 + *2,400 × €4.50)		<u>(25,200)(4)</u>
		703,650
<u>Direct Labour</u>		
Standard (*12,950 × 5 hrs × €14.00)	906,500 (2)	
Premium (*8,500 × 7 hrs × €14.00)	<u>833,000 (2)</u>	1,739,500
<u>Variable Overheads</u>		
Standard (*12,950 × 5 hrs × €3.50)	226,625 (2)	
Premium (*8,500 × 7 hrs × €3.50)	<u>208,250 (2)</u>	434,875
<u>Fixed Overheads</u>		<u>223,650 (2)</u>
Total Production Cost		<u>** 3,101,675 (3)</u>

- \* Accept student's own figure.
- \*\* Accept correct figure only.

- (d) Calculate the unit cost of budgeted closing stock of both products. (14)

**Budgeted Closing Stock per Unit**

		Standard €	Premium €
Material R	(3 kg × €3.00)	9.00 (1) (5 kg × €3.00)	15.00 (1)
Material S	(4 kg × €4.50)	18.00 (1) (6 kg × €4.50)	27.00 (1)
Direct Labour	(5 hrs × €14.00)	70.00 (1) (7 hrs × €14.00)	98.00 (1)
Variable Overheads	(5 hrs × €3.50)	17.50 (1) (7 hrs × €3.50)	24.50 (1)
Fixed Overheads	(5 hrs × *€1.80) (W1)	9.00 (1) (7 hrs × *€1.80)	12.60 (1)
<b>Cost per Unit</b>		<u>123.50 (1)</u>	<u>177.10(1)</u>

\* Accept student's own figure.

**W1** Fixed overheads per direct labour hour

$$\frac{223,650}{(12,950 \times 5 \text{ hrs}) + (8,500 \times 7 \text{ hrs})} = \text{€}1.80 \text{ (2)}$$

- (e) Outline **three** differences in focus between Management and Financial accounting. (7)

Any 3: (3 + 2 + 2)

- Management Accounting plans for the future and provides information for planning and budgeting. Financial Accounting records past events in the form of a profit and loss account, balance sheet and cash flow statement //
- Management Accounting has an internal focus and provides information to aid planning and decision making. Financial Accounting has both an internal and external focus and provides information to stakeholders such as managers, shareholders and creditors //
- Management Accounting is not governed or restricted by legislation or legal requirements. Financial Accounting is governed and regulated by both legislation and accounting standards such as FRSs //
- Management Accounting prepares reports as often as managers require them. Financial Accounting usually prepares reports once a year //
- Management Accounting prepares reports for cost-centres / departments. Financial Accounting prepares reports for the whole business