

- (a) Prepare a Production Budget (in units). (16)

Production Budget	<u>Basic</u>	<u>Superior</u>
Budgeted Sales (in units)	12,800 (3)	7,300 (3)
<u>Add</u> Closing Stock (70% of Opening Stock)	<u>490 (3)</u>	<u>315 (3)</u>
	13,290	7,615
<u>Less</u> Opening Stock	<u>(700)(2)</u>	<u>(450)(2)</u>
Budgeted Production (in units)	<u><u>12,590</u></u>	<u><u>7,165</u></u>

- (b) Prepare a Raw Materials Purchases Budget (in units and €). (20)

Raw Materials Purchases Budget	<u>Mat. A</u>	<u>Mat. B</u>
Required for Production:		
Basic	[•12,590 × 5 kgs] 62,950 (2)	[•12,590 × 4 kgs] 50,360 (2)
Superior	[•7,165 × 3 kgs] <u>21,495 (2)</u>	[•7,165 × 7 kgs] <u>50,155 (2)</u>
	84,445	100,515
<u>Add</u> Closing Stock (70% of Opening Stock)	<u>5,600 (2)</u>	<u>4,200 (2)</u>
	90,045	104,715
<u>Less</u> Opening Stock	<u>(8,000)(2)</u>	<u>(6,000)(2)</u>
Required Purchases of Raw Materials (in kgs)	82,045	98,715
Purchase Price	€3.00 (2)	€6.00 (2)
Purchases (in €)	<u><u>€246,135</u></u>	<u><u>€592,290</u></u>

- Allow full marks for student's own figure if consistent with previous work.

- (c) Prepare a Production Cost/Manufacturing Budget. (24)

Production Cost / Manufacturing Budget			€	€
<u>Direct Materials</u>				
Opening Stock of Raw Materials	Material A	[8,000 × €2.70]	21,600 (2)	
	Material B	[6,000 × €5.50]	<u>33,000 (2)</u>	54,600
Purchase of Raw Materials	Material A		•246,135 (1)	
	Material B		<u>•592,290 (1)</u>	<u>838,425</u>
				893,025
<u>Less</u>				
Closing Stock of Raw Materials	Material A	[•5,600 × €3.00]	16,800 (2)	
	Material B	[•4,200 × €6.00]	<u>25,200 (2)</u>	<u>(42,000)</u>
				851,025
Cost of Labour	Basic	[•12,590 × 6 hrs × €14.00]	1,057,560 (2)	
	Superior	[•7,165 × 8 hrs × €14.00]	<u>802,480 (2)</u>	1,860,040
Variable Overheads	Basic	[•12,590 × 6 hrs × €6.50]	491,010 (2)	
	Superior	[•7,165 × 8 hrs × €6.50]	<u>372,580 (2)</u>	863,590
Fixed Overheads				<u>278,500 (2)</u>
Cost of Manufacture				<u><u>••3,853,155 (4)</u></u>

- Allow full marks for student's own figure if consistent with previous work.
- Accept correct figure only.

9. Budgeting (cont'd.)

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

Budgeted Closing Stock per Unit		€	
		Basic	Superior
Material A	[5 kgs × €3.00]	15.00 (1)	[3 kgs × €3.00] 9.00 (1)
Material B	[4 kgs × €6.00]	24.00 (1)	[7 kgs × €6.00] 42.00 (1)
Direct Labour	[6 hrs × €14.00]	84.00 (1)	[8 hrs × 14.00] 112.00 (1)
Variable Overheads	[6 hrs × €6.50]	39.00 (1)	[8 hrs × €6.50] 51.00 (1)
Fixed Overheads	W1 [6 hrs × €2.10]	12.60 (1)	[8 hrs × €2.10] 16.80 (1)
Cost per Unit		<u>174.60 (1)</u>	<u>230.80 (1)</u>

- Allow full marks for student's own figure if consistent with previous work.
- Accept correct figure only.

Working:

W1 Fixed overheads per direct labour hour

$$= \frac{278,500}{(\bullet 12,590 \times 6 \text{ hrs}) + (\bullet 7,165 \times 8 \text{ hrs})}$$

$$= \frac{278,500}{132,860}$$

$$= 2.096191\dots$$

$$= \bullet\bullet \text{€}2.10 \text{ (2)}$$

- Allow full marks for student's own figure if consistent with previous work.
- Deduct 1 mark if figure not rounded to two decimal places.

- (e) State and explain **two** reasons for product costing. (6)

Any 2: (2 × 3)

- establishes the selling price (2) for tendering purposes (1) //
- controls costs (2) by comparing budgeted costs with actual costs (1) //
- helps with planning (2) and decision-making (1) //
- finds the value of closing stock (2) in order to prepare final accounts (1) // etc.

- Figures in brackets show the breakdown of marks if answer incomplete.
- Accept student's own wording if equivalent meaning conveyed.
- Accept other appropriate material.