

Question 8

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(a)

Overhead Analysis

Overhead	Basis	Total	Processing	Assembly	Finishing
Indirect Material	Actual	360,000	170,000 [1]	100,000 [1]	90,000 [1]
Indirect Labour	Actual	500,000	300,000 [1]	120,000 [1]	80,000 [1]
Machine Maintenance	[1] Machine hours	28,000	14,000 [1]	10,500 [1]	3,500 [1]
Plant Depreciation	[1] Plant valuation	80,000	48,000 [1]	24,000 [1]	8,000 [1]
Light and Heat	[1] Volume	70,000	40,000 [1]	20,000 [1]	10,000 [1]
Rent and Rates	[1] Floor Space	64,000	32,000 [1]	20,000 [1]	12,000 [1]
Factory Canteen	[1] Employees	50,000	30,000 [1]	15,000 [1]	5,000 [1]
		1,152,000	634,000 [1]	309,500 [1]	208,500 [1]

(b)

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Overhead recovery (absorption) per	Machine Hours		Direct Labour Hours	
	Processing (machine hours)	Assembly (labour hours)	Finishing (labour hours)	
<u>Budgeted Overheads</u>	634,000	309,500	208,500	
Budgeted hours	40,000	35,000	25,000	
Overhead absorption rate per machine hour	€15.85 [6]			
Overhead absorption rate per labour hour		€8.84 [6]	€8.34 [6]	

(c)

Selling Price of Job No. 510

		€
Materials	(10,000 + 2,400)	12,400.00 [2]
Labour	(2,000 + 4,600 + 800)	7,400.00 [3]
Overheads:		
Processing	(60 x 15.85)	951.00 [4]
Assembly	(90 x 8.84)	795.60 [4]
Finishing	(12 x 8.34)	<u>100.08 [4]</u>
Production Cost	75%	21,646.68
Profit	25%	<u>7,215.56</u>
Selling Price	100%	<u><u>28,862.24</u> [4]</u>

(d)

Step Fixed Cost [6]

Step fixed costs are costs that are fixed within a certain range of activity but changes outside of that range. E.g. Rent could be fixed up to a certain level of production. However, if production increases and results in the rental of more factory space, then the rent would increase to a new level. Thus the fixed costs would increase in steps.

Management Accounting/Financial Accounting [6]

Management Accounting	Financial Accounting
Is concerned with planning for the future and provides information for planning and budgeting	Is concerned with recording past events. Information is provided in the form of a profit and loss account, balance sheet and cash flow statement
Has an internal focus and furnishes information to aid planning and decision making	Has both internal and external focus and furnishes information to stakeholders such as managers, shareholders and creditors
Is not governed or restricted by legislation or legal requirements	Is governed and regulated by both legislation and accounting standards such as FRS's.
Reports are prepared as often as the managers require them	Reports are prepared usually once a year
Reports are prepared for cost-centres/ departments	Reports are prepared about the whole business