

Question 8

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(a)

Stock Valuation

Purchases in units	Unit cost €	Purchases at cost
3,000	@ €4	12,000
2,200	@ €6	13,200
<u>1,500</u>	@ €7	<u>10,500</u>
6,700		35,700

Credit Sales Units	Credit Sales €	Cash Sales Units	Cash Sales €	Total Sales Units	Total sales €
900 @ €9	8,100	1,200 @ €11	13,200	2,100	21,300
1,100 @ €10	11,000	1,300 @ €12	15,600	2,400	26,600
1,200 @ €10	12,000	1,200 @ €13	15,600	2,400	27,600
3,200	31,100	3,700	44,400	6,900	75,500

Closing Stock in Units Opening Stock 4,000 + Purchases 6,700 – Sales 6,900 = **3,800 units** [6]

Closing Stock in €	1,500 @ €7	=	10,500 [2]
	2,200 @ €6	=	13,200 [2]
	<u>100 @ €4</u>	=	<u>400 [2]</u>
	3,800		24,100 [4]

Trading account for the year ending 31/12/2009

Sales		75,500 [3]
Less cost of Sales		
Opening Stock	16,000 [2]	
Purchases	<u>35,700 [3]</u>	
	51,700	
Closing Stock	<u>(24,100) [2]</u>	<u>(27,600)</u>
Gross Profit		<u>47,900 [4]</u>

(b)

Calculation of Product Cost and Selling Price

	€	€
Direct materials		7,350.00 [2]
Direct wages		
Dept A (95 x 13)	1,235 [3]	
Dept B (185 x 15)	2,775 [3]	
Dept C (60 x 10)	<u>600 [3]</u>	4,610.00
Variable overheads		
Dept A (95 x 15)	1,425 [2]	
Dept B (185 x 17)	3,145 [2]	
Dept C (60 x 22)	<u>1,320 [2]</u>	5,890.00
Fixed overheads		
Dept A (95 x 6)	570 [2]	
Dept B (185 x 5)	925 [2]	
Dept C (60 x 4)	<u>240 [2]</u>	1,735.00
General Administration overhead (340 x 5.50)		<u>1,870.00 [4]</u>
Total Cost (80% of selling price)		21,455.00 [3]
Profit (20% of selling price)		<u>5,363.75</u>
Selling Price 100%		<u>26,818.75 [3]</u>

(c)

Under and over absorption of costs

<u>Dept X</u>	<u>Dept Y</u>	<u>Dept Z</u>
<u>140,000</u>	<u>36,000</u>	<u>40,000</u>
35,000	45,000	20,000
= €4 per M.H [3]	= €0.80 per L.H [3]	= €2 per L.H. [3]

	<u>Dept X</u>	<u>Dept Y</u>	<u>Dept Z</u>	<u>Total</u>
Actual overhead incurred	155,000 [1]	30,000 [1]	45,000 [1]	230,000
Absorbed overhead	<u>160,000 [1]</u>	<u>29,600 [1]</u>	<u>50,000 [1]</u>	<u>239,600</u>
Over/Under absorption	<u>5,000</u>	<u>(400)</u>	<u>5,000</u>	<u>9,600</u>

Dept X	Actual machine hours x M.H. rate	=	40,000 x €4	=	160,000
Dept Y	Actual labour hours x L.H. rate	=	37,000 x €0.80	=	29,600
Dept Z	Actual labour hours x L.H. rate	=	25,000 x €2	=	50,000

Costs incurred were €5,000 less than expected/budgeted and therefore profits are €5,000 greater than expected.
 Costs incurred were €400 more than expected/budgeted and therefore profits are €400 less than expected
 Costs incurred were €5,000 less than expected/budgeted and therefore profits are €5,000 greater than expected
 Overall costs incurred were €9,600 less than expected/budgeted and therefore profits are €9,600 greater than expected. [2]