

SECTION 3 (80 marks)Answer **ONE** question**8. Stock Valuation and Product Costing****(a) Stock Valuation**

Weston Ltd is a retail store that buys and sells one product. The following information relates to the purchases and sales of the firm for the year 2017:

Period	Purchases on Credit	Credit Sales	Cash Sales
01/01/2017 - 31/03/2017	4,500 @ €8 each	1,000 @ €10 each	1,200 @ €12 each
01/04/2017 - 30/06/2017	2,500 @ €7 each	2,000 @ €11 each	1,400 @ €13 each
01/07/2017 - 30/09/2017	3,000 @ €6 each	1,500 @ €13 each	1,800 @ €10 each
01/10/2017 - 31/12/2017	1,500 @ €5 each	1,000 @ €12 each	1,200 @ €11 each

On 01/01/2017 there was an opening stock of 5,000 units @ €6 each.

Required:

- Calculate the value of closing stock using 'First in/First out' (FIFO) method.
- Prepare a trading account for the year ending 31/12/2017.
- Explain how the concept of prudence applies to the valuation of closing stock.

(b) Product Costing

The following are the specifications for a job quotation received from Tully Ltd:

Direct Materials 70 kg @ €16 per kg

Direct labour hours spent in each department:

Department	Hours
A	50
B	120
C	24

The monthly budgeted figures are as follows:

Budgeted overheads				
Department	Variable	Fixed	Wage Rate per hour	Labour Hours
	€	€	€	€
A	20,000	22,000	15	500
B	18,000	23,000	26	1,000
C	21,000	42,000	34	1,400

General administration overheads are expected to be €55,100 for the month.

Required:

- Calculate the variable and fixed overhead absorption rates for each department in direct labour hours.
- Calculate the administration overhead absorption rate in direct labour hours.
- Calculate the selling price of the job if the profit is set at 25% of selling price.
- Outline the role of the management accountant within an organisation.

(80 marks)