

Question 8

30

(a) Stock Valuation

<u>Purchases in Units</u>	<u>Unit Cost</u>	<u>Purchases at cost in €</u>
4,500	€5	22,500
3,600	€8	28,800
<u>2,600</u>	€7	<u>18,200</u>
10,700		69,500

<u>Credit Sales</u>			<u>Cash Sales</u>			<u>Total Sales</u>			
Units	@	€	Units	@	€	Units	€		
1,100	@	€10	11,000	1,700	@	10	17,000	2,800	28,000
1,400	@	€11	15,400	1,200	@	11	13,200	2,600	28,600
<u>1,600</u>	@	€12	<u>19,200</u>	<u>1,350</u>	@	11	<u>14,850</u>	<u>2,950</u>	<u>34,050</u>
4,100		<u>45,600</u>	4,250		<u>45,050</u>	8,350	<u>90,650</u>		

Closing Stock in Units

= Opening Stock 4,700 + Purchases 10,700 – Sales 8,350 = 7,050 units [6]

Closing Stock Valuation:	Units	@	€	=	€
(FIFO)	2,600	@	€7	=	18,200 [2]
	3,600	@	€8	=	28,800 [2]
	<u>850</u>	@	€5	=	<u>4,250 [3]</u>
	<u>7,050</u>				<u>51,250 [3]</u>

Trading account for the year ending 31/12/2020

	€
Sales	90,650[3]
Less Cost of sales	
Opening Stock	23,500 [3]
Add Purchases	<u>69,500 [3]</u>
	93,000
Less Closing Stock	<u>51,250 [3]</u> (41,750)
Gross Profit	[2] <u>48,900</u>

34

(b) (i) Overhead absorption rates for each department.

	Manufacturing	Assembly	Finishing
<u>Budgeted Overheads</u>	<u>€840,000</u>	<u>€389,400</u>	<u>€187,000</u>
Direct Labour Hours	42,000	22,000	8,500
	€20.00 per DLH [2]	€17.70 per DLH [2]	€22.00 per DLH [2]

(ii)

Selling Price of Job Number 667

		€		€	
Direct materials	(45 x 12.20)			549.00	[2]
Direct Labour					
Manufacturing	(24 x 19.00)	456.00	[2]		
Assembly	(8 x 16.00)	128.00	[2]		
Finishing	<u>(2 x 18.50)</u>	<u>37.00</u>	[2]	621.00	
Budgeted Overheads					
Manufacturing	(24 x 20.00)	480.00	[3]		
Assembly	(8 x 17.70)	141.60	[3]		
Finishing	<u>(2 x 22.00)</u>	<u>44.00</u>	[3]	665.60	
General Administration overhead					
	(34 x €6.00)			204.00	[6]
Total Cost Job 667	[80%]			<u>2,039.60</u>	[3]
Profit: [20% of Selling Price]				509.90	
Net Selling Price [100%]				<u><u>2,549.50</u></u>	[2]

(c) (i) Under and over absorption of costs

16

Dept A	Dept B	Dept C
<u>€234,000</u>	<u>€64,800</u>	<u>€88,400</u>
36,000	54,000	26,000

= € 6.50 per M.H [2] = €1.20 per L.H [2] = €3.40 per LH [2]

(ii)

	Dept A €		Dept B €		Dept C €		Total €
Actual overhead incurred	<u>262,500</u>	[1]	<u>59,200</u>	[1]	<u>98,200</u>	[1]	<u>419,900</u>
Absorbed overhead	<u>253,500</u>	[1]	<u>60,000</u>	[1]	<u>96,560</u>	[1]	<u>410,060</u>
Over/(Under) absorption	<u>(9,000)</u>		<u>800</u>		<u>(1,640)</u>		<u>(9,840)</u>

Actual Absorbed Overheads

Dept A: Actual machine hours x mac hr rate = 39,000 x €6.50 = €253,500

Dept B: Actual labour hours x lab hr rate = 50,000 x €1.20 = €60,000

Dept C: Actual labour hours x lab hr rate = 28,400 x €3.40 = €96,560

[4]

1. In department A, the costs incurred were €9,000 more than expected/budgeted and therefore, profits are €9,000 less than expected.
2. In department B, the costs incurred were €800 less than expected/budgeted and therefore, profits are €800 greater than expected.
3. In department C, the costs incurred were €1,640 more than expected/budgeted and therefore, profits are €1,640, less than expected.
4. Overall, the costs incurred were €9,840 more than expected/budgeted and therefore, profits are €9,840 less than expected.

Conroy Manufacturing Ltd have costed their products too low.