Question 9. Budgeting **18**

(a) Production Budget

	Golden		Portland	
Budgeted Sales (in units)	15,200	[5]	8,400	[5]
Add Closing Stock	810	[2]	675	[2]
Less Opening Stock	(900)	[2]	(750)	[2]
= Budgeted Production in Units	15,110		8,325	

16

(b) Raw Materials Purchases Budget

Required for Production	**Material A**			**Material B**	
- Golden(15,110 units @ 6 kg)	90,660	[2]	(15,110 units @ 9 kg)	135,990	[2]
- Portland(8,325 units @ 8 kg)	66,600	[2]	(8,325 units @ 12 kg[)	99,900	[2]
	157,260			235,890	
Add Closing Stock	8,460	[1]		6,120	[1]
	165,720			242,010	
Less Opening Stock	(9,400)	[2]		(6,800)	[2]
Forecast Purchases of Raw Materials, in Kg	156,320			235,210	
Times Purchase Price	€5.50	[1]		€7.00	[1]
Forecast Purchases of Raw Materials, in €	€859,760			€1,646,470	
				€2,506,230	

(c) **Production Cost/Manufacturing Budget**

16

Direct Materials					
Opening Stock -	Material A	(9,400kg x €5.00)	47,000	[1]	
Raw materials	Material B	(6,800kg x €6.50)	44,200	[1]	91,200
Purchases -	Material A		859,760	[1]	
Raw materials	Material B		1,646,470	[1]	2,506,230
Closing Stock -	Material A	(8,460kg x €5.50)	46,530	[1]	
Raw materials	Material B	(6,120kg x €7.00)	42,840	[1]	(89,370)
					2,508,060
Cost of Labour	Golden	(15,110 x 6 hours x €18.00)	1,631,880	[2]	
	Portland	(8,325 x 9 hours x €18.00)	1,348,650	[2]	2,980,530
Variable Overheads	Golden	(15,110 x6 hours x €12.00)	1,087,920	[2]	
	Portland	(8,325 x 9 hours x €12.00)	899,100	[2]	1,987,020
Fixed Overheads				[1]	579,550
Cost of Manufacture				[1]	8,055,160

(d) **Unit cost of budgeted Closing Stock**

20

		Golden			Portland	
		€			**€**	
Material A	(6 Kgs x €5.50)	33.00	[1]	(8 Kgs x €5.50)	44.00	[1]
Material B	(9 Kgs x €7.00)	63.00	[1]	(12 Kgs x €7.00)	84.00	[1]
Direct Labour	(6 hours x €18.00)	108.00	[1]	(9 hours x €18.00)	162.00	[1]
Variable Overheads	(6 hours x €12.00)	72.00	[1]	(9 hours x €12.00)	108.00	[1]
Fixed Overheads	(6 hours x €3.50)	21.00	[1]	(9 hours x €3.50)	31.50	[1]
Cost per Unit		297			429.50	

Fixed Overheads per Direct Labour Hour

$$= \frac{€579,550}{(15,110\text{x}6 \text{ hrs}) + (8,325 \text{ unitsx}9 \text{ hrs})}$$

$$= \frac{€579,550}{165,585 \text{ hrs}}$$

$$= €3.50$$ **[1]**

Budgeted Trading account for year ended 31/12/2023

Sales	(15,200 * €360) + (8,400 * €410)		8,916,000**[2]**
Less cost of sales			
Opening stock	(900 * €210) + (750 * €290)	406,,500**[2]**	
Cost of manufacture		8,055,160**[1]**	
Less closing stock	(810 * €297) + (675 * €429.50)	(530,482.50) **[2]**	7,931,177.50
Gross Profit			984,822.50**[2]**

(e)

10

(i) Outline why budget control is necessary in an organisation.

Budgetary control is necessary to

1 Draw up a plan of performance – budgets are a roadmap for the business.

2 Identify areas of responsibility to provide direction and motivation to staff to achieve targets.

3 To identify future costs and revenues in order to plan cash inflows and outflows and control costs.

4 Plan raw material requirements to ensure production levels can be achieved.

5 Plan labour requirements to ensure adequate staffing levels in all areas.

6 To ensure resources are used efficiently and to be capable of adapting to changing circumstances.

7 To compare budgeted figures with actual figures and to identify variances.