

**QUESTION 8 - Costing**

30

(a)

Purchases In Units		Cost Price £	Purchases at Cost
3,100	@	£6	18,600
3,400	@	£7	23,800
3,600	@	£8	28,800
<u>1,600</u>	@	£9	<u>14,400</u>
<b><u>11,700</u></b>			<b><u>85,600</u></b>

Sales In Units		Selling Price	Sales Value £
2,300	@	£11	25,300
5,300	@	£12	63,600
<u>2,300</u>	@	£14	<u>32,200</u>
<b><u>9,900</u></b>			<b><u>121,100</u></b>

**Closing Stock in units**

Opening Stock	1,500
Add Purchases	<u>11,700</u>
	13,200
Less Sales	<u>9,900</u>
Closing stock	<b><u>3,300</u></b>

**Closing Stock in £**

1,600	@	£9	14,400
1,700	@	£8	<u>13,600</u>
			<b><u>28,000</u></b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">15</span>

**Trading Account for year ending 31 December 1999**

	£	£
Sales		121,100 <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">4</span>
Less cost of goods sold		
Opening stock	9,000 <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">2</span>	
Purchases	<u>85,600</u> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">4</span>	
	94,600	
Less Closing stock	<u>28,000</u> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">3</span>	<u>66,600</u>
Gross profit		<u>54,500</u> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">2</span>

(b)

50

**Calculation of Product Cost and Selling price**

	£	£
Direct Materials		3,335.00 ③
Direct wages:		
Department A (80 hours @ £8)	640 ③	
Department B (170 hours @ £7)	1,190 ③	
Department C (40 hours @ £9)	<u>360 ③</u>	2,190.00
Variable overheads		
Department A (80 hours @ £15)	1,200.00 ③	
Department B (170 hours @ £10)	1,700.00 ③	
Department C (40 hours @ £12)	<u>480.00 ③</u>	3,380.00
Fixed overheads		
Department A (80 hours @ £6.50)	520 ③	
Department B (170 hours @ £2.50)	425 ③	
Department C (40 hours @ £2.00)	<u>80 ③</u>	1,025.00
General Administration overhead (290 hours @ £2.50)		<u>725.00 ④</u>
Total Cost = 80% of selling price		10,655.00
Profit = 20% of Selling Price		<u>2,663.75 ②</u>
Selling Price = 100%		<u>13,318.75 ④</u>

To establish the selling price for the purpose of tendering ⑥

To control costs - budget versus actual ④

To help planning and decision making

To ascertain the value of closing stock in order to prepare final accounts