

SECTION 3 (80 Marks)
Answer ONE question

8. Job Costing

There are three departments in Timmons Ltd. – manufacturing, polishing and packing.
For the year 2002 the following are the budgeted costs.

	Total	Manufacturing	Polishing	Packing
	€	€	€	€
Indirect Materials	180,000	110,000	40,000	30,000
Indirect Labour	240,000	120,000	70,000	50,000
Light and heat	48,000			
Rent and rates	27,000			
Machine maintenance	16,000			
Plant depreciation	80,000			
Factory canteen	35,000			

The following information relates to the 3 departments.

	Total	Manufacturing	Polishing	Packing
Floor space in square metres	9,000	4,000	3,000	2,000
Volume in cubic metres	24,000	12,000	8,000	4,000
Plant valuation in €at book value	400,000	240,000	100,000	60,000
Machine hours	60,000	30,000	15,000	15,000
Number of employees	70	30	30	10
Labour hours	160,000	80,000	60,000	20,000

Job No 999 has just been completed. The details are:

	Direct	Direct	Machine	Labour
	Material	Labour	Hours	Hours
Manufacturing	€7,500	€850	50	20
Polishing	€2,800	€3,900	15	90
Packing	-	€1,500	6	25

The company budgets for a profit margin of 20% of Sales.

You are required to:

- (a) Calculate the overhead to be absorbed by each department. State clearly the basis of apportionment used.
- (b) Calculate a suitable overhead absorption rate for each department.
- (c) Compute the selling price of Job No 999.

(80 marks)