

**Question 8 - solution**

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(a)

**Overhead Analysis**

Overhead	Basis of Apportionment	Total	Manufacturing	Polishing	Packing
Indirect materials	Actual	180,000	110,000 ①	40,000 ①	30,000 ①
Indirect Labour	Actual	240,000	120,000 ①	70,000 ①	50,000 ①
Light and heat	Volume ①	48,000	24,000 ①	16,000 ①	8,000 ①
Rent and rates	Floor space ①	27,000	12,000 ①	9,000 ①	6,000 ①
Machine maintenance	Machine hrs ①	16,000	8,000 ①	4,000 ①	4,000 ①
Plant depreciation	Plant valuation ①	80,000	48,000 ①	20,000 ①	12,000 ①
Factory canteen	Employees ①	<u>35,000</u>	<u>15,000 ①</u>	<u>15,000 ①</u>	<u>5,000 ①</u>
		<u>626,000</u>	<u>337,000 ①</u>	<u>174,000 ③</u>	<u>115,000 ①</u>

(b)

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Overhead recovery (absorption) per	Machine hours	Direct Labour hours	
	<u>Manufacturing</u>	<u>Polishing</u>	<u>Packing</u>
<u>Budgeted overheads</u>	<u>337,000</u>	<u>174,000</u>	<u>115,000</u>
Budgeted hours	30,000	60,000	20,000
Overhead absorption rate per machine hour	€11.23 ⑦		
Overhead absorption rate per direct labour hour	€4.21	€2.90 ⑦	€5.75 ⑦

(c)

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**Selling price of Job No 999**

		€
Direct materials	(7,500 + 2,800)	10,300.00 ④
Direct labour	(850 + 3,900 + 1,500)	6,250.00 ⑥
<b>Overheads</b>		
Manufacturing Dept	(50 x €11.23)	561.50 ⑤
Polishing Dept	(90 x €2.90)	261.00 ⑤
Packing Dept	(25 x €5.75)	<u>143.75 ⑤</u>
Production cost =	80% of selling price	17,516.25
Profit =	20% of selling price	<u>4,379.06</u>
Selling price =	100%	<u>21,895.31 ③</u>