

SECTION 3 (80 Marks)
Answer ONE question

Question 8. - Costing

(a) **Valuation of Closing Stock**

The following information relates to the purchases and sales (exclusive of VAT) of O'Leary Ltd. for the year 2002:

Period	Details	Quantity and Price
01/01/02 to 31/03/02	Purchases on credit	4,200 @ €7 each
	Credit sales	1,300 @ €12 each
	Cash sales	1,200 @ €11 each
01/04/02 to 30/06/02	Purchases on credit	3,200 @ €7 each
	Credit sales	1,350 @ €12 each
	Cash sales	1,500 @ €12 each
01/07/02 to 30/09/02	Purchases on credit	2,700 @ €8 each
	Credit sales	1,400 @ €13 each
	Cash sales	1,200 @ €11 each
01/10/02 to 31/12/02	Purchases on credit	2,300 @ €9 each
	Credit sales	1,600 @ €13 each
	Cash sales	900 @ €13 each

On 1/1/2002 there was an opening stock of 4,400 units @ €7 each.

You are required to:

- (i) Calculate the value of the closing stock, using first in first out (FIFO) method.
- (ii) Prepare a trading account for the year ended 31/12/2002.

(b) **Product Costing**

O' Mahony Ltd is a small company with three departments. The following are the company's budgeted costs for the coming year.

Department	Variable Costs	Fixed Costs	Wage Rate per hour
X	€8 per hour	€8.50 per hour	€1
Y	€16 per hour	€7.50 per hour	€12
Z	€20 per hour	€4.00 per hour	€10

General administration overhead absorption rate per hour is budgeted to be €4.50.

The following are the specifications for a quotation for Job No. 999:

Material costs €6,450.

Labour hours required in each department are:

Department	Hours
X	90
Y	180
Z	50

You are required to:

- (i) Calculate the selling price of Job No. 999 if the profit is set at 25% of selling price.
- (ii) State two reasons for product costing and explain each.

(80 marks)