

QUESTION 8 - Costing

30

(a)

Purchases In Units		Cost Price €	Purchases at Cost
4,200	@	€7	29,400
3,200	@	€7	22,400
2,700	@	€8	21,600
<u>2,300</u>	@	€9	<u>20,700</u>
<u>12,400</u>			<u>94,100</u>

Sales In Units		Selling Price	Sales Value €
2,400	@	€11	26,400
4,150	@	€12	49,800
<u>3,900</u>	@	€13	<u>50,700</u>
<u>10,450</u>			<u>126,900</u>

Closing Stock in units		
Opening Stock		4,400
Add Purchases		<u>12,400</u>
		16,800
Less Sales		<u>10,450</u>
Closing stock		<u>6,350</u>

Closing Stock in €			€
2,300	@	€9	20,700
2,700	@	€8	21,600
<u>1,350</u>	@	€7	<u>9,450</u>
6,350			<u>51,750</u> ¹⁵

Trading Account for year ending 31 December 2002

	€	€
Sales		126,900 ³
Less cost of goods sold		
Opening stock	30,800 ²	
Purchases	<u>94,100</u> ³	
	124,900	
Less Closing stock	<u>51,750</u> ³	<u>73,150</u>
Gross profit		<u>53,750</u> ⁴

QUESTION 8 – (continued)

50

(b)

Calculation of Product Cost and Selling price

	€	€
Direct Materials		6,450.00 ③
Direct wages:		
Department X (90 hours @ €11)	990 ③	
Department Y (180 hours @ €12)	2,160 ③	
Department Z (50 hours @ €10)	<u>500 ③</u>	3,650.00
Variable overheads		
Department X (90 hours @ €18)	1,620.00 ③	
Department Y (180 hours @ €16)	2,880.00 ③	
Department Z (50 hours @ €20)	<u>1,000.00 ③</u>	5,500.00
Fixed overheads		
Department X (90 hours @ €8.50)	765 ③	
Department Y (180 hours @ €7.50)	1,350 ③	
Department Z (50 hours @ €4.00)	<u>200 ③</u>	2,315.00
General Administration overhead (320 hours @ €4.50)		<u>1,440.00 ④</u>
Total Cost = 75% of selling price		19,355.00 ②
Profit = 25% of Selling Price		<u>6,451.67</u>
Selling Price = 100%		<u>25,806.67 ②</u>

To establish the selling price for the purpose of tendering ⑦

To control costs - budget versus actual ⑤

To help planning and decision making

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