

8. Job Costing

Buckley Ltd. has three Departments – Processing, Assembly and Finishing. The following costs relate to 2005.

	Total €	Processing €	Assembly €	Finishing €
Indirect materials	250,000	120,000	70,000	60,000
Indirect labour	400,000	260,000	80,000	60,000
Light and heat	90,000			
Rent and rates	54,000			
Machine maintenance	24,000			
Plant depreciation	60,000			
Factory canteen	45,000			

The following information relates to the three Departments.

	Total	Processing	Assembly	Finishing
Floor space in square metres	12,000	8,000	3,000	1,000
Volume in cubic metres	36,000	18,000	12,000	6,000
Plant valuation at book value	€500,000	€300,000	€120,000	€80,000
Machine hours	50,000	25,000	20,000	5,000
Number of employees	80	40	30	10
Labour hours	120,000	60,000	45,000	15,000

Job No. 316 has just been completed. The details are:

	Direct Materials €	Direct Labour €	Machine Hours	Labour Hours
Processing	8,000	1,000	40	30
Assembly	1,800	3,200	20	60
Finishing	-	600	4	10

The company budgets for a profit margin of 25%.

You are required to:

- (a) Calculate the overhead to be absorbed by each Department stating clearly the basis of apportionment used.
- (b) Calculate a suitable overhead absorption rate for each Department.
- (c) Compute the selling price of Job No. 316.
- (d) Name three overhead absorption rates and state why they are based on budgeted rather than actual figures.

(80 marks)