

SECTION 3 (80 marks)
Answer **ONE** question

8. Job Costing

Mc Cormack Ltd has three departments – Processing, Assembly and Finishing. The following costs relate to 2008.

	Total	Processing	Assembly	Finishing
	€	€	€	€
Indirect Materials	360,000	170,000	100,000	90,000
Indirect Labour	500,000	300,000	120,000	80,000
Machine Maintenance	28,000			
Plant Depreciation	80,000			
Light and Heat	70,000			
Rent and Rates	64,000			
Factory Canteen	50,000			

The following information relates to the three departments.

	Total	Processing	Assembly	Finishing
Floor space in m ²	16,000	8,000	5,000	3,000
Volume in m ³	42,000	24,000	12,000	6,000
Plant valuation at book value	€500,000	€300,000	€150,000	€50,000
Machine hours	80,000	40,000	30,000	10,000
Number of employees	100	60	30	10
Labour hours	140,000	80,000	35,000	25,000

Job No. 510 has just been completed. The details are:

	Direct	Direct	Machine	Labour
	Materials	Labour	Hours	Hours
	€	€		
Processing	10,000	2,000	60	50
Assembly	2,400	4,600	30	90
Finishing	-	800	6	12

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. 510.
- (d)
 - (i) Explain what is meant by a step fixed cost and give an example.
 - (ii) Outline two differences in focus between Management and Financial accounting.

(80 marks)