

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

8. Stock Valuation and Costing

(a) Stock Control

Rose Ltd is a retail store that buys and sells one product. The following information relates to the purchases and sales of the firm for the year 2009:

Period	Purchases on credit	Credit Sales	Cash Sales
01/01/2009 – 30/04/2009	3,000 @ €4 each	900 @ €9 each	1,200 @ €1 each
01/05/2009 – 31/08/2009	2,200 @ €6 each	1,100 @ €10 each	1,300 @ €12 each
01/09/2009 – 31/12/2009	1,500 @ €7 each	1,200 @ €10 each	1,200 @ €13 each

On 01/01/2009 there was opening stock of 4,000 units @ €4 each.

You are required to:

- (i) Calculate the value of closing stock using 'First in/First out' (FIFO) method.
- (ii) Prepare a trading account for the year ending 31/12/2009

(b) Product Costing

Dwyer 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
A	€15 per hour	€6 per hour	€13
B	€17 per hour	€5 per hour	€15
C	€22 per hour	€4 per hour	€10

General Administration overhead absorption rate per hour is budgeted to be €5.50.

The following are the specifications for a quotation for **Job No. 209**:

Material Costs €7,350

Labour hours required in each department:

Department	Hours
A	95
B	185
C	60

You are required to:

Calculate the selling price of Job No. 209 if the profit is set at 20% of the selling price.

(c) Under and over absorption of costs

The information set out below refers to the budgeted and actual costs of Hennigan Manufacturing Ltd:

<u>Budgeted</u>	Direct		Total Overhead
	Labour Hours	Machine Hours	
Department X	8,000	35,000	€40,000
Department Y	45,000	10,000	€ 36,000
Department Z	20,000	–	€ 40,000

<u>Actual</u>	Direct		Total Overhead
	Labour Hours	Machine Hours	
Department X	10,000	40,000	€155,000
Department Y	37,000	15,000	€ 30,000
Department Z	25,000	–	€ 45,000

You are required to:

- (i) Calculate departmental overhead absorption rates for Departments X, Y and Z.
- (ii) Show the under/over absorption by department and in total for the period. Explain what these figures mean.

(80 marks)