

SECTION 3 (80 marks)Answer **ONE** question**8. Overhead Apportionment/Job Costing**

Rooney Ltd has two production departments, X and Y and two ancillary service departments, 1 and 2.

The following costs relate to 2019.

	Total	Production X	Production Y	Service 1	Service 2
	€	€	€	€	€
Indirect materials	480,000	265,000	215,000	-----	-----
Indirect labour	420,000	280,000	140,000	-----	-----
Machine maintenance	18,000				
Depreciation on factory buildings	36,000				
Factory light and heat	24,000				
Factory cleaning	10,000				
Factory canteen	8,750				

The following information relates to the production and service departments:

	Total	Production X	Production Y	Service 1	Service 2
Volume in cubic metres	9,000	4,500	2,250	1,500	750
Floor area in square metres	2,000	1,000	600	200	200
Number of employees	700	300	300	100	-----
Book value of buildings (€)	900,000	450,000	225,000	150,000	75,000
Machine hours	80,000	48,000	32,000	-----	-----
Labour hours	40,000	10,000	30,000	-----	-----

Service departments are to be transferred to the production departments on the following percentage basis:

	Production X	Production Y
Service 1	60%	40%
Service 2	55%	45%

Job No. 925 has just been completed, the details are:

	Direct Materials	Direct Labour	Machine Hours	Labour Hours
	€	€		
Production X	8,500	3,000	100	50
Production Y	3,800	4,900	120	200

The company budgets for a profit margin of 20%.

Required:

- (a)** Calculate the overhead to be absorbed by each department showing clearly the basis of apportionment used.
- (b)** Transfer the service department costs to production departments X and Y.
- (c)** Calculate a suitable overhead absorption rate for each department.
- (d)** Calculate the selling price of Job No. 925.
- (e)**
 - (i) Explain why it is necessary to transfer service department overheads to production departments.
 - (ii) Distinguish between the allocation, apportionment and absorption of costs.

(80 marks)