

**SECTION 3 (80 marks)**Answer **ONE** question**8. Stock Valuation, Product Costing, Under and Over Absorption****(a) Stock Valuation**

Bolger 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 2020.

Period	Purchases on Credit	Credit Sales	Cash Sales
01/01/2020-30/04/2020	4,500 @ €5 each	1,100 @ €10 each	1,700 @ €10 each
01/05/2020-31/08/2020	3,600 @ €8 each	1,400 @ €11 each	1,200 @ €11 each
01/09/2020-31/12/2020	2,600 @ €7 each	1,600 @ €12 each	1,350 @ €11 each

On 01/01/2020 there was opening stock of 4,700 units @ €5 each.

**Required:**

- (i) Calculate the value of closing stock at 31/12/2020 using First in/First out, (FIFO) method.
- (ii) Prepare a trading account for the year ending 31/12/2020.

**(b) Product Costing**

The following is the budgeted yearly overhead details of Kinsella Ltd, a manufacturer of computer equipment that has three production departments.

Production Departments	Budgeted Overheads	Budgeted Labour Hours	Wage Rate Per Hour
Manufacturing	€840,000	42,000 hours	€19.00
Assembly	€389,400	22,000 hours	€16.00
Finishing	€187,000	8,500 hours	€18.50

Budgeted general administration costs for the year €435,000.

**Details of Job Number 667**

Direct material 45 kg at €12.20 per kg

Direct labour hours	Manufacturing	24 hours
	Assembly	8 hours
	Finishing	2 hours

All orders are priced using a profit margin of 20%.

**Required:**

- (i) Calculate the overhead absorption rates for each department.
- (ii) Calculate the selling price of Job Number 667.

**(c) Under and Over Absorption**

The information set out below refers to the budgeted and actual costs of Conroy Manufacturing Ltd.

<b>Budgeted</b>	<b>Direct Labour Hours</b>	<b>Machine Hours</b>	<b>Total Overhead</b>
Department A	14,000	36,000	€234,000
Department B	54,000	7,000	€64,800
Department C	26,000	---	€88,400

<b>Actual</b>	<b>Direct Labour Hours</b>	<b>Machine Hours</b>	<b>Total Overhead</b>
Department A	16,000	39,000	€262,500
Department B	50,000	8,150	€59,200
Department C	28,400	---	€98,200

**Required:**

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

**(80 marks)**