

The following are the specifications for a job quotation received from Woodworth Ltd:

Materials cost 30 rolls @ €70 per roll

Department	Hours
1	75
2	150
3	24

The monthly budgeted overheads are as follows;		
Department	Variable	Fixed
	€	€
1	9,600	3,300
2	12,600	2,100
3	4,400	900

Budgeted hours for the month are:

Department	Hours
1	600
2	1,400
3	400

The wage rate for Department 1 is €9 per hour, Department 2 is €8 per hour and Department 3 is €10 per hour. General administration overheads are expected to be €6,000 for the month.

You are required to:

1. Calculate the variable and fixed overhead absorption rates for each department in direct labour hours.
2. Calculate the administration overhead absorption rate in direct labour hours.
3. Calculate the selling price of the job if the profit is set at 20% of selling price.
4. Give two reasons for product costing and explain each.

(80 marks)