



Accounting Leaving Certificate Higher Level

Past Exam Questions on:

Product Costing

2013

Q8

8. **Stock Valuation, Product Costing, Under and Over Absorption**

(a) **Stock Valuation**

Blue 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 2012.

Period	Purchases on credit	Credit Sales	Cash Sales
01/01/2012-30/04/2012	4,000 @ €5 each	1,000 @ €9 each	1,500 @ €12 each
01/05/2012-31/08/2012	2,500 @ €6 each	1,200 @ €11 each	1,300 @ €13 each
01/09/2012-31/12/2012	1,700 @ €8 each	1,400 @ €11 each	1,200 @ €14 each

On 1/1/2012 there was opening stock of 4,500 units @ €5 each.

**Required:**

- (i) Calculate the value of closing stock using 'First in/First out' (FIFO) method.
- (ii) Prepare a trading account for the year ending 31/12/2012.

(b) **Product Costing**

The following is the budgeted yearly overhead details of Grace Ltd, manufacturers of computer equipment which has three production departments.

Production departments	Budgeted Overheads	Budgeted Labour Hours	Wage Rate per hour
Manufacturing	€180,000	36,000 hours	€4
Assembly	€99,000	18,000 hours	€2.50
Finishing	€36,000	4,500 hours	€3.75

Budgeted general administration costs for the year €1,170,000

**Details of Job Number 666**

Direct Material 30 kgs at €10.20 per kg

Direct Labour Hours	Manufacturing	20 hours
	Assembly	6 hours
	Finishing	4 hours

All orders are priced using a profit margin of 25%.

**Required:**

- (i) Calculate the overhead absorption rates for each department.
- (ii) Calculate the selling price of Job Number 666.

(c) **Under and Over Absorption**

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

Budgeted	Direct Labour Hours	Machine Hours	Total Overhead
Department A	7,000	32,000	€160,000
Department B	48,000	7,000	€33,600
Department C	22,000	---	€46,200
Actual	Direct Labour Hours	Machine Hours	Total Overhead
Department A	9,000	37,000	€175,000
Department B	40,000	12,000	€29,000
Department C	27,000	---	€50,000

**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)

2007

## 8. Costing and Stock Valuation

### (a) Overhead Apportionment

Nevis Ltd has two Production Departments, 1 and 2 and two ancillary Service Departments, A and B. The following are the expected overhead costs for the next period.

Overhead	Total €
Depreciation of equipment	16,000
Depreciation of factory buildings	20,000
Factory heating	9,600
Factory cleaning	2,000
Factory canteen	10,800

The following information relates to the Production and Service Departments of the factory.

	Production		Service	
	Dept. 1	Dept. 2	Dept. A	Dept. B
Volume in cubic metres	1,500	3,000	1,000	500
Floor area in square metres	600	800	400	200
Number of employees	60	60	30	30
Book value of equipment	€15,000	€10,000	€5,000	€10,000
Machine hours	3,000	1,000		

#### You are required to:

- Calculate the overhead to be absorbed by each Department stating clearly the basis of apportionment used.
- Transfer the Service Department costs to Production Departments 1 and 2 on the basis of machine hours.
- Calculate machine hour overhead absorption rates for Departments 1 and 2.
- Explain what is meant by 're-apportionment' of overheads.
- Illustrate and explain 'over-absorption' of overheads.

### (b) Stock Valuation

Cape Ltd. is a retail store that buys and sells one commodity. The following information relates to the purchases and sales of the firm for the year 2006.

Period	Purchases on credit	Credit Sales	Cash Sales
01/01/2006 to 31/03/2006	3,200 @ €5 each	800 @ €10 each	1,000 @ €11 each
01/04/2006 to 30/06/2006	2,100 @ €7 each	1,000 @ €11 each	1,200 @ €10 each
01/07/2006 to 30/09/2006	2,000 @ €8 each	1,200 @ €11 each	1,200 @ €12 each
01/10/2006 to 31/12/2006	1,400 @ €9 each	1,100 @ €13 each	1,000 @ €13 each

On 1/1/2006 there was opening stock of 3,500 units @ €5 each.

#### You are required to:

- Calculate the value of closing stock using the 'first in first out (FIFO) method.
- Prepare a Trading Account for the year ended 31/12/2006.

**(80 marks)**

