



ST ANGELA'S COLLEGE

**5th Year Accounting
Higher Level
TLA 2 Exam**

Friday 2nd February 2024

12:20 – 1:50

Ms. Downey

Exam instructions:

Answer both questions overleaf. They are worth equal marks.

Do not hand up the question, only the answer booklet.

Question 1

Stock Valuation, Product Costing, Under and Over Absorption

(a) Valuation of Closing Stock

Xander Ltd is a retail store that buys and sells one product. The following information relates to the purchases and sales of Xander Ltd for the year 2020. (The figures do not include VAT.)

Period	Purchases on Credit	Credit Sales	Cash Sales
01/01/2020 - 30/04/2020	4,600 @ €7 each	1,300 @ €12 each	2,700 @ €13 each
01/05/2020 - 31/08/2020	7,400 @ €8 each	2,100 @ €13 each	2,450 @ €14 each
01/09/2020 - 31/12/2020	2,400 @ €9 each	1,950 @ €14 each	2,150 @ €15 each

On 01/01/2020 there was an opening stock of 1,400 units at €6 each.

Required:

- Calculate the value of closing stock using the 'First in/First out' (FIFO) method.
- Prepare a trading account for the year ended 31/12/2020.
- What would be the effect on gross profit if closing stock is overvalued?

(b) Product Costing

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

Production Departments	Budgeted Overheads	Budgeted Labour Hours	Wage Rate per Hour
Manufacturing	€250,000	40,000	€ 8.50
Assembly	€160,000	12,500	€ 3.50
Finishing	€40,000	3,200	€ 6.25

Budgeted general administration costs for the year €1,002,600.

Details of Job Number 1920X

Direct material 35 kgs at €11.50 per kg

Direct labour hours	Manufacturing	25 hours
	Assembly	8 hours
	Finishing	5 hours

All orders are priced using a profit margin of 33 1/3%.

Required: 20%

- Calculate the overhead absorption rates for each department.
- Calculate the selling price of Job Number 1920X.

(c) Under and Over Absorption

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

Budgeted	Direct Labour Hours	Machine Hours	Total Overhead
Department A	6,000	28,000	€ 196,000
Department B	45,000	8,000	€ 40,500
Department C	25,000	—	€ 66,250
Actual	Direct Labour Hours	Machine Hours	Total Overhead
Department A	7,500	29,000	€ 195,000
Department B	42,000	14,000	€ 38,400
Department C	26,000	—	€ 68,000

Required:

- Calculate the departmental overhead absorption rates for Departments A, B and C.
- Show the under/over absorption by department and in total for the period. Explain what these figures show.
- What are the implications to a firm when it over-absorbs overheads when issuing a quotation for a job or a product?

(80 marks)

Question 2

Job Costing

Buckley Ltd. has three Departments – Processing, Assembly and Finishing. The following costs relate to 2005.

	Total €	Processing €	Assembly €	Finishing €
Indirect materials	250,000	120,000	70,000	60,000
Indirect labour	400,000	260,000	80,000	60,000
Light and heat	90,000			
Rent and rates	54,000			
Machine maintenance	24,000			
Plant depreciation	60,000			
Factory canteen	45,000			

The following information relates to the three Departments.

	Total	Processing	Assembly	Finishing
Floor space in square metres	12,000	8,000	3,000	1,000
Volume in cubic metres	36,000	18,000	12,000	6,000
Plant valuation at book value	€500,000	€300,000	€120,000	€80,000
Machine hours	50,000	25,000	20,000	5,000
Number of employees	80	40	30	10
Labour hours	120,000	60,000	45,000	15,000

Job No. 316 has just been completed. The details are:

	Direct Materials €	Direct Labour €	Machine Hours	Labour Hours
Processing	8,000	1,000	40	30
Assembly	1,800	3,200	20	60
Finishing	-	600	4	10

The company budgets for a profit margin of 25%.

You are required to:

- Calculate the overhead to be absorbed by each Department stating clearly the basis of apportionment used.
- Calculate a suitable overhead absorption rate for each Department.
- Compute the selling price of Job No. 316.
- Name three overhead absorption rates and state why they are based on budgeted rather than actual figures.

(80 marks)