

## QUESTIONS

### Question 1 Vance and Vane Limited

Vance and Vane Limited produces a range of innovative storage units, designed by some of the biggest names in contemporary furniture design. The following is a list of some of the costs incurred by the company:

Wages of factory canteen staff	
Purchase of wood for shelving	
Salespersons' commissions earned on volume of sales achieved	
Wages of factory machine operators	
Marketing campaign expenditure	
Metal brackets for shelving units	
Depreciation of office computer	
Business rates for factory	
Quality inspector's salary	
Royalties paid to designers	
Fire insurance for factory	
Office workers' Christmas party expenses	

Classify each item of expense as one of the following:

- Direct labour
- Direct materials
- Direct expenses
- Indirect production overheads
- Other indirect overheads

### Question 2 Wellingborough Cravats Limited

Wellingborough Cravats Limited produces high quality silk ties. In the month ending 30 November 20X4 the company incurs the following costs:

	£
Depreciation of weaving machines	610
Secretarial and administrative salaries	3 373
Silk thread	6 866

Office supplies	861
Presentation packaging for ties	433
Factory supervisors' wages	1 604
Depreciation of office computer	82
Labels for ties	121
Other factory costs	1 080
Advertising	650
Weaving machine operators' wages	6 620
Factory cleaning	260
Repairs and maintenance of factory	676
Selling costs	1 270
Electricity (see note)	1 025
Factory rental and rates	1 665

Note: 80% of the electricity charge relates to the factory and 20% to the office.

Required: rearrange the information given into a cost statement for the month ending 30 November 20X4.

### Question 3 Zane and Aldiss Limited

Zane and Aldiss Limited produces custom-built yachts for the seriously wealthy. The company uses a job costing system to accumulate costs for each yacht built. In the month of June 20X7 the company has three yachts at various stages of assembly in its dry dock. Accumulated costs to 1 June 20X7 for each yacht are as follows:

	Yacht ref: X0/22	Yacht ref: X0/24	Yacht ref: X0/27
	£	£	£
Direct material	6 625	1 030	1 850
Direct labour	2 070	663	1 200

During June 20X7 the following transfers from stores are made:

	Quantity	Value per unit	Job no
Mahogany strip	120 metres	£16 per metre	X0/22
Pine strip	80 metres	£3.50 per metre	X0/24
Metal fixing components	60 units	£0.80 per unit	X0/27

Metal fixing components	84 units	£0.75 per unit	X0/24
Metal fixing components	104 units	£1.00 per unit	X0/22

The value of other sundry materials booked to each job is as follows:

X0/22	£610
X0/24	£552
X0/27	£1 003

The input of the four different grades of direct labour is as follows:

Grade	Number of hours	Job no
4	16	X0/27
	30	X0/22
3	28	X0/24
	106	X0/27
2	88	X0/22
	78	X0/24
1	54	X0/22
	60	X0/27

The total cost to the company of the various grades of direct labour, per hour, is:

Grade 4	£12.50
Grade 3	£10.00
Grade 2	£9.50
Grade 1	£9.00

Required: design a job costing form which records the material and labour costs for each yacht up to the end of June 20X7. The form should show an accumulated prime cost total for each yacht at the end of June 20X7.

Chapter 11 *Student questions*

## ANSWERS

### Answer 1 Vance and Vane Limited

Wages of factory canteen staff	Indirect production overheads
Purchase of wood for shelving	Direct materials
Salespersons' commissions earned on volume of sales achieved	Other indirect overheads
Wages of factory machine operators	Direct labour
Marketing campaign expenditure	Other indirect overheads
Metal brackets for shelving units	Direct materials
Depreciation of office computer	Other indirect overheads
Business rates for factory	Indirect production overheads
Quality inspector's salary	Indirect production overheads
Royalties paid to designers	Direct expenses
Fire insurance for factory	Indirect production overheads
Office workers' Christmas party expenses	Other indirect overheads

### Answer 2 Wellingborough Cravats Limited

Cost statement for November 20X4

	£	£
Direct materials		
Silk thread	6 866	
Labels for ties	121	
Presentation packaging for ties	433	
		7 420
Direct labour		
Weaving machine operators' wages		6 620
Prime cost		14 040
Production overheads		
Depreciation of weaving machines	610	
Repairs and maintenance of factory	676	
Factory rental and rates	1 665	
Electricity (80% x £1 025)	820	

Factory cleaning	260	
Factory supervisors' wages	1 604	
Other factory costs	1 080	
		6 715
Production cost		20 755
Other overheads		
Secretarial and administrative salaries	3 373	
Office supplies	861	
Selling costs	1 270	
Advertising	650	
Electricity for office	205	
Depreciation of office computer	82	
		6 441
Total costs		27 196

### Answer 3 Zane and Aldiss Limited

#### Job costing record – June 20X7

	Job ref: X0/22	Job ref: X0/24	Job ref: X0/27
	£	£	£
<b>Direct material</b>			
Brought forward	6 625	1 030	1 850
Mahogany 120 x £16	1 920		
Pine 80 x £3.50		280	
Metal fixings:			
60 x £0.80			48
84 x £0.75		63	
104 x £1.00	104		
Sundry materials	610	552	1 003
Materials carried forward	9 259	1 925	2 901

**Direct labour**

Brought forward	2 070	663	1 200
Grade 4			
16 x £12.50			200
30 x £12.50	375		
Grade 3			
28 x £10.00		280	
106 x £10.00			1 060
Grade 2			
88 x £9.50	836		
78 x £9.50		741	
Grade 1			
54 x £9.00	486		
60 x £9.00			540
Labour carried forward	3 767	1 684	3 000

**Prime cost**

Materials carried forward	9 259	1 925	2 901
Labour carried forward	3 767	1 684	3 000
Prime cost carried forward	13 026	3 609	5 901