

- 4 Jessie is a manufacturer and uses a single raw material to make her product. The following table shows inventory transactions for the month of March 2019.

Date		Kilos	Per kilo \$
March 1	Opening balance	1500	1.90
3	Receipts	3500	1.92
10	Receipts	2000	1.95
17	Receipts	1500	2.00

Jessie uses the First In First Out (FIFO) method to value her inventory. The following issues to production took place.

Date	Kilos
March 5	3000
23	4500

REQUIRED

- (a) Calculate the following in dollars:

- (i) the value of issues to production on 5 March

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- (ii) the value of issues to production on 23 March

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- (iii) the value of closing inventory at 31 March.

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(b) State **two** advantages to a business of using the FIFO method of inventory valuation.

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- 2 [2]

Additional information

The business has two production cost centres: machining and assembly, and one service cost centre: stores.

The following budgeted information is available for the year ending 31 December 2019.

Budgeted overheads	\$	Basis of apportionment
Depreciation	9 760	Non-current asset at cost
Heat and light	13 850	Kilowatt hours
Machinery maintenance	6 500	Machine hours

The following budgeted information is also available.

	Production cost centres		Service cost centre
	Machining	Assembly	Stores
Kilowatt hours	4 200	2 100	700
Non-current assets at cost (\$)	91 000	28 000	21 000
Stores requisitions	375	125	
Direct labour hours	2 700	6 300	
Machine hours	13 400	3 350	

REQUIRED

(c) Complete the following table to show the apportionment of budgeted overhead costs for the year ending 31 December 2019.

	Total \$	Production cost centres		Service cost centre
		Machining \$	Assembly \$	Stores \$
Depreciation				
Heat and light				
Machinery maintenance				
Total overheads apportioned				
Re-apportionment of stores				
Total overheads cost				

Additional information

On 1 April 2019 a customer asked Jessie to quote for an order of 200 units of her product. Each unit requires the following:

Direct labour	2.5 hours at \$4 per hour
Direct material	3 kilos
Overheads	Machining department
	1.5 machine hours
	0.8 direct labour hours
	Assembly department
	1.0 machine hour
	2.0 direct labour hours

Jessie marks up all orders by 25%.

REQUIRED

- (e)** Prepare a statement to show the total selling price that Jessie will quote to the customer.

[7]

Additional information

The same customer offers to pay Jessie the quoted price less a 10% discount. Jessie's factory has spare capacity.

REQUIRED

- (f)** Advise Jessie whether or not she should accept the offer. Justify your answer.

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