**Question 22**

The following details are from the manufacturing firm Con-Crete Ltd for the month of May.

**Process 1**

Direct materials — 8,000 kg at £5 per kg

Direct labour — 5,000 hours at £6·50 per hour

Variable overheads — 80% of labour cost

Budgeted fixed overhead absorption rate is £5 per direct labour hour

Transferred to Process 2 — 7,500 kg

Normal loss 5% of input weight

**All** process losses are sold at a scrap value of £0·95 per kg

There is **no inventory** at the start or end of the month.

**Prepare** the:

(i) Process account **9**

**Total marks (9)**

**Question 22 — solution**

|  |  |  |  |
| --- | --- | --- | --- |
| **(i)** | **Process 1** |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **DR** | | |  | **CR** | | | |  |  | **Balance** | | |
|  | **Q** | **P** | **£** |  | **Q** |  | **P** |  | **£** |  | **Q** | **P** | **£** |
| **Materials** | 8000 | £5·00 | £40,000 | **(1)** |  |  |  |  |  |  | 8,000 |  | £40,000 |
| **Labour** | (5000) | £6·50 | £32,500 | **(1)** |  |  |  |  |  |  |  |  | £72,500 |
| **Variable Overheads** | 80% |  | £26,000 | **(1)** |  |  |  |  |  |  |  |  | £98,500 |
| **Fixed Overheads** | (5000) | £5·00 | £25,000 | **(1)** |  |  |  |  |  |  |  |  | £123,500 |
| **Normal Loss** |  |  |  |  | 400 |  | £0·95 |  | 380 | **(1)** | 7,600 | £16·20 | £123,120 |
| **Transfer to Process 2** |  |  |  |  | 7,500 | **(1)** | £16·20 | **(2)** | 121,500 |  | 100 | £16·20 | £1,620 |
| **Abnormal Loss** |  |  |  |  | 100 | **(1)** | £16·20 |  | 1,620 |  | 0 | 0 | £0 |

|  |  |  |
| --- | --- | --- |
| Unit Cost 123,120  7,600 = £16·20 |  | **Total marks (9)** |