**Question 36**

John Kirkpatrick operates a sawmill business. It has received an order from a customer   
for 1,000 wooden pallets. They have 2 departments, ‘Cutting’ and ‘Construction’.

You are asked to prepare a quotation for the customer from the following information:

**Direct materials:** 70 metres wood @ £9 per metre

**Direct labour:** Cutting department — 6 hours @ £6·50 per hour

Construction department — 5 hours @ £7 per hour

**Direct expenses:** £20 if less than 12 labour hours used in total  
£30 if 12 or more labour hours used in total

**Overheads:** Cutting department — £2 per direct labour hour

Construction department — £0·20 per pallet

John Kirkpatrick wishes to make a profit of 35% on cost.

1. Calculate the total cost of the job to John Kirkpatrick **6**
2. Calculate the price which will be quoted to the customer, taking into account the   
   required profit and VAT at 20%. **4**

**Total marks 10**

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| **Question** | **Expected answer(s)** | **Max Mark** | **Additional guidance** |
| **36 (a)**  **(b)** | Direct Materials 70 metres at £9 per metre £630·00 **(1)**    Direct Labour Cutting — 6 hours @ £6·50 per hour £39·00  Construction — 5 hours £7 per hour £35·00 **(1)**  Direct Expenses £20·00 **(1)**  Overheads Cutting 6 hours x £2 £12·00 **(1)**  Construction 1,000 x £0·20 £200·00 **(1)**  **Cost** **£936·00** **(1)**  Profit (35% × £936) £327·60 **(1)**  £1,263·60  VAT (20% × £1,263·60) £252·72 **(1)**  **CUSTOMER PRICE £1,516·32** **(1)**  Layout — **1 mark** **(1)**  To gain layout mark, cutting and construction departments need to be itemised and labour needs to show the hours worked. Cost, profit, VAT and price need to be labelled. There doesn’t need to be a subtotal after profit. | **6**  **4** | Watch for consequentiality.  No subtotals are required before cost price. If there are arithmetic errors in subtotals — do not award total cost mark.  Accept labour — £74 for **1 mark.**  If VAT calculated before Profit, do not award VAT mark and treat Profit as consequential. |