

Task 4

The following budgeted figures relate to a factory producing a single product. Overheads are absorbed on a budgeted production basis. Inventory is valued on a FIFO basis.

| | Month 1 | Month 2 | Month 3 |
|---------------------------------|---------|---------|---------|
| Opening inventory (units) | 0 | | |
| Selling price per unit £ | 150 | 150 | 160 |
| Production (units) | 8,000 | 8,000 | 8,000 |
| Sales (units) | 6,500 | 7,500 | 8,500 |
| Direct materials (£ per unit) | 35 | 35 | 35 |
| Direct labour (£ per unit) | 25 | 25 | 25 |
| Variable production overheads £ | 160,000 | 160,000 | 168,000 |
| Fixed production overheads | 304,000 | 304,000 | 304,000 |

Complete the following table. Enter zeros if necessary. Do not use minus signs except for recording any losses.

| | Absorption costing | | Marginal costing | |
|-------------------|--------------------|--------------|------------------|--------------|
| | Month 2 £ | Month 3 £ | Month 2 £ | Month 3 £ |
| Sales | 112500 | 136000 | 112500 | 136000 |
| Opening inventory | | | | |
| Production costs | 944000 | 952000 | 640000 | 648000 |
| Closing inventory | | | | |
| Cost of sales | | | | |
| Fixed overheads | — | — | 304000 | 304000 |
| Profit / (Loss) | | | | |