**QUESTION 1.**

Each unit of **Product Omega** requires 3 kgs of raw material. Next month’s production budget for product Omega is as follows:

|  |  |
| --- | --- |
| Opening stocks: |  |
|  Raw materials | 15,000 kgs. |
|  Finished units of Omega |  3,000 units |
| Budgeted sales of Omega | 60,000 units |
|  |  |
| Planned closing stocks |  |
|  Raw materials |  7,000 kgs. |
|  Finished units of Omega |  4,000 units |

**Required:**

Calculate the number of kilograms of raw materials that should be purchased next month.

**QUESTION 2.**

**The Western Company** manufactures and sells two products, Arrows and Spears. In October 2008 the Company’s budget department gathered the following data in order to project sales and budget requirements for 2009:-

|  |  |  |  |
| --- | --- | --- | --- |
| **2009 Projected Sales** | **Product** | **Units** | **Price** |
|  | Arrows | 30,000 | £ 70 |
|  | Spears | 20,000 | £100 |
|  |  |  |  |
| **Stocks (Units)** | **Product** | **Expected** | **Desired** |
|  |  | **January 1, 2009** | **Dec.31,2009** |
|  | Arrows | 10,000 | 15,000 |
|  | Spears |  5,000 |  6,000 |
|  |  |  |  |
| **Raw materials** |  |  **Amount used per Unit** |
|  **Raw Materials** | **Unit** | **Arrows** | **Spears** |
|  A | Kilos | 4 | 5 |
|  B | Kilos | 2 | 3 |
|  C | Blocks |  | 1 |
| Projected data for 2009 with respect to raw materials are as follows:- |  |
|  |  |  |  |
|  **Raw Material** | **Anticipated purchase price** | **Expected stocks 1 January 2009** | **Desired stocks** **31 December 2009** |
|  A | £7.00 | 15,000 Kilos | 20,000 Kilos |
|  B | £5.00 | 14,000 Kilos | 17,000 Kilos |
|  C | £2.50 |  2,000 Blocks |  3,000 Blocks |
|  |  |  |  |
| **Direct labour** Projected requirements | **Product** | **Hours per unit** | **Rate per hour** |
|  | Arrows | 2 | £3 |
|  | Spears | 3 | £4 |
|  |  |  |  |
| **Overhead** Applied at the rate of £2 per direct labour hour. |  |

**Required:**

Based on the above, prepare the following budgets for 2009:

1. Sales budget (in £)
2. Production budget (in units)
3. Raw materials purchase budget (in quantities)
4. Raw materials purchase budget (in £)
5. Direct labour budget (in £)
6. Budgeted finished goods inventory at Dec. 31, 2009 (in £)