

Example Happy Now Ltd

Happy Now Ltd produces three products using three different machines.

The following information is available for three products for a period:

Product	X	Y	Z
Sales Price (\$)	20	15	10
Direct materials (\$)	8	5	4
Direct labour (\$)	5	3	2
Overheads (\$)	2	1	1
Estimated sale demand (unit)	200	200	200

Machine hours required per unit:

Machine 1	6	2	1
Machine 2	9	3	1.5
Machine 3	3	1	0.5

Machine capacity is limited to 1,600 hours for each machine.

Identify the bottleneck process and explain why it is called as a bottleneck resource. (4 marks)

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Calculate the throughput accounting ratio for the three products and identify the bottleneck process.