For Examiner's Use

Alberta Limited is now considering extending the product range by adding two products, cups and saucers. The fixed costs would double to \$480 000 if **any** new product was introduced.

The following information is available for the additional products.

	Cups	Saucers
	\$ per unit	\$ per unit
Selling price	18.00	26.00
Direct materials	7.20	14.00
Direct labour	4.80	4.20
Variable overheads	3.00	1.80
Sales per annum (units)	100 000	60 000

The current workforce is operating at full capacity in the production of the plates. There is, however, machine capacity available to undertake the production of both cups and saucers.

Alberta Limited extended their product range by adding both products.

REQUIRED

(b)	Calculate the maximum profit for one year that Alberta Limited could achieve if it was to produce plates, cups and saucers. Show the contribution per unit and total contribution for each product.
	[10]

(c)	Explain the implications for the local community if Alberta Limited decides to extend its product range.
	[6]
	[6]

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