

- 4 B Limited is a manufacturing business. The business uses marginal costing techniques and manufactures three products, Ess, Tee and Ewe.

The following budgeted monthly information is available.

Per unit	Ess	Tee	Ewe
	\$	\$	\$
Selling price	30	43	69
Direct material	18	22	36
Direct labour at \$8 per hour	4	6	14
Variable overhead	2	3	5
Maximum monthly demand	300 units	400 units	360 units

Fixed overheads are budgeted to be \$96 000 per annum.

REQUIRED

- (a) Calculate the contribution per unit for **each** product.

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- (b) Prepare a statement to show the maximum monthly contribution **and** maximum monthly profit that B Limited can earn.

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- (c) Calculate the monthly direct labour hours that B Limited requires to meet the budgeted maximum monthly demand.

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Additional information

Due to a shortage of skilled labour, the directors are aware that only 900 direct labour hours per month will be available from 1 December 2021.

REQUIRED

- (d)** Calculate the maximum contribution **and** maximum profit for December 2021, taking into account the limited direct labour hours available.

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Additional information

In order to overcome the shortage of skilled labour and also be able to meet maximum demand, the directors are considering paying an overtime premium of 25% and paying a total monthly bonus of \$200 to be shared between all workers.

REQUIRED

- (e) Calculate the total contribution **and** total profit for the month of December 2021 if the directors decide to carry out this proposal.

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- (f) Explain **two** disadvantages to a business of offering a bonus payment to its employees.

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(g) Explain **two** disadvantages to a business of operating a system of budgetary control.

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