3			s a manufacturing bu and stores.	siness di	ivided into thr	ee separate d	epartments,	machining,
	The	tota	al estimated costs for the	ne three r	months ending	31 October 20	13 are as foll	ows:
		Lig Pla Re	preciation of plant hting and heating int insurance nt pervision	\$ 6 000 4 500 4 800 18 000 25 000				
	The following information is available for the three departments:							
		Nur Val Nur Bud	or area (sq metres) mber of employees ue of plant (\$000's) mber of orders from St dgeted machine hours dgeted direct labour ho		Machining 5000 12 86 3600 4250 1200	Finishing 4500 8 8 1480 820 4950	Store 500 5 2 - -	S
	REC	QUIF	RED					
	(a)	(i)	Apportion the costs to state the basis you ha			s using the mos	st suitable bas	sis. Clearly
			,					
			,					
			,					
								[5]

	(ii)	Re-apportion stores costs to each production department on the basis of the number of orders.
		[5]
		[5]
(b)		culate to two decimal places the forecast overhead absorption rate for the chining and finishing departments for the three months ending 31 October 2013.
		[6]
	•••••	[6]

Actual figures for the three months ended 31 October 2013 are:

	Machining	Finishing
Direct labour hours	1 430	5 000
Machine hours	6 000	805
Overheads incurred	\$48 340	\$22 780

REQUIRED

(C)	three months ended 31 October 2013.	tne
		[6]
(d)	Calculate the amount of under or over absorption for each production department.	
		[4]

(e)	Explain what is meant by over and under absorption of overheads and how each will arise.
	[4]