

- 4 Hayden manufactures two products, Aye and Bee. The business operates two production departments, Machining and Finishing, and two service departments, Stores and Maintenance.

REQUIRED

(a) Identify **one** possible basis of apportionment that a business could use in respect of:

(i) rent and rates

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(ii) machinery depreciation

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(iii) electricity for machinery.

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[3]

Additional information

The following information is available.

	Machining	Finishing
Number of orders from Stores	3 200	1 800
Maintenance call-outs	160	32
Budgeted direct labour hours	6 200	19 800
Budgeted machine hours	38 600	9 400

REQUIRED

(b) Complete the following table to show the apportionment of budgeted overhead costs for the year ended 30 September 2021.

		Production departments		Service departments	
	Total \$	Machining \$	Finishing \$	Stores \$	Maintenance \$
Total apportioned overheads	449 800	188 850	172 850	53 325	34 775
Re-apportion Stores					
Subtotal					
Re-apportion Maintenance					
Total overheads cost					

[4]

- (c) Calculate, to **two** decimal places, an overhead absorption rate for **each** production department, using a suitable basis.

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Additional information

The actual results for the year ended 30 September 2021 were as follows:

	Machining	Finishing
Factory overheads	\$265 800	\$187 420
Direct labour hours	6 350	19 260
Machine hours	36 940	9 810

REQUIRED

- (d) Calculate the over-absorption or under-absorption of overheads for **each** department for the year ended 30 September 2021.

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Additional information

The following information is available for one unit of product Aye.

Direct material	\$36.20
Direct labour hours	
Machining (\$8 per hour)	45 minutes
Finishing (\$10 per hour)	60 minutes
Machine hours	
Machining	20 minutes
Finishing	30 minutes

During September 2021, a customer requested a quotation for supplying 200 units of Aye. Hayden required a 30% gross profit margin on the order.

REQUIRED

- (e) Prepare a statement to show the **total** selling price that Hayden quoted to the customer.

[6]

Additional information

Hayden is considering using one factory-wide overhead absorption rate rather than separate departmental overhead absorption rates.

REQUIRED

- (f) Advise Hayden whether or not he should use one factory-wide absorption rate. Justify your answer.

[5]

- (g) Explain **two** effects that the over-absorption of overheads may have on a business.

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