4 Miu owns a manufacturing business making a single product.

REQUIRED

(a) State the difference between a cost unit and a cost centre.

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(b) State the difference between a production cost centre and a service cost centre.

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(c) State what is meant by contribution.

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Additional information

Miu currently uses marginal costing to value her inventory. The following budgeted information is available for the months of January and February:

Per unit	$
Selling price	12
Variable production cost	5

	January	February
	$	$
Fixed production overhead costs	9000	9000
Fixed administrative costs	800	800
	Units	Units
Sales	3600	5400
Production	4500	4500

There was **no** opening inventory in January.

Production is expected to be 54 000 units for the year.

REQUIRED

(d) Prepare a budgeted profit statement for **each** of the two months, January and February, using **marginal costing**. Clearly show the opening and closing inventories each month.

Budgeted Profit Statement

	January		February	
	$	$	$	$

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Additional information

Miu is considering using absorption costing to value her inventory.

REQUIRED

(e) Calculate the production overhead absorption rate per unit.

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(f) Prepare a budgeted profit statement for **each** of the two months, January and February, using **absorption costing**. Clearly show the opening and closing inventories each month.

Budgeted Profit Statement

	January		February	
	$	$	$	$

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(g) Reconcile the difference in budgeted profit figures in parts **(d)** and **(f)**.

	January	February
	$	$

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(h) Advise Miu whether or not she should change from marginal costing to absorption costing. Give reasons to justify your answer.

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