

- ### Additional information

- 1 Factory overheads are absorbed by departmental direct labour hours.
- 2 Administration costs are absorbed as a percentage of the cost of production.

(a) Calculate the following for **each** department.

- ..... [4]

(ii) The budgeted factory overhead absorption rate per direct labour hour.

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..... [4]

Mandar Limited has received a request for some components, Job Number SMC20.

The following direct costs have been estimated.

	\$	\$
Direct materials		140 156
Direct labour:		
Cutting department	13 200	
Pressing department	9 000	
Production department	16 200	
Assembly department	<u>6 000</u>	
		<u>44 400</u>
Prime cost		<u>184 556</u>

The direct labour costs are based on budgeted hourly rates.

## REQUIRED

**(b)** Prepare a detailed statement showing the total cost of Job Number SMC20.

..... [12]

**(c)** The selling price of Mandar Limited's components is cost plus 25%.

Calculate the selling price of Job Number SMC20.

[3]

**(d)** Explain why Mandar Limited absorbs its overheads using direct labour hours.

..... [5]

**(e)** State **two** alternative methods the business could use to absorb their overheads.

1. ....
2. ....

**[Total 30]**