3 Quango Ltd produces four types of lamp – Platinum, Gold, Silver and Bronze. Unit selling prices and costs are as follows:

Product	Platinum	Gold	Silver	Bronze
	\$	\$	\$	\$
Selling price	184	148	142	138
Costs				
Direct materials	24	21	30	18
Direct labour	30	27	24	27
Overheads	30	25	20	25

Direct material and Direct labour are variable costs.

Overheads are 40% variable and 60% fixed.

Quango's intention was to produce and sell the following quantities during the year ended 31 May 2005.

Product	Quantity
	(units)
Platinum	2000
Gold	1800
Silver	1600
Bronze	2400

REQUIRED

(a)	A statement, in marginal costing format, of profitability for each product, and in total.
	[15]

It was then discovered that fixed overheads were likely to rise by 8% and the total amount available to pay overheads could not be increased.

REQUIRED

(b)	A statement, taking into account the possibility of the increase in fixed overheads, and maximising profit, showing the quantity of each product to be produced.
	[8]
(c)	A statement in marginal costing format of profitability for each product and in total , based on your answer to (b) .