

For
Examiner's
Use

	Cups \$ per unit	Saucers \$ per unit
Selling price	18.00	26.00
Direct materials	7.20	14.00
Direct labour	4.80	4.20
Variable overheads	3.00	1.80
 Sales per annum (units)	 100 000	 60 000

The current workforce is operating at full capacity in the production of the plates. There is, however, machine capacity available to undertake the production of both cups and saucers.

Alberta Limited extended their product range by adding both products.

REQUIRED

- (b)** Calculate the maximum profit for one year that Alberta Limited could achieve if it was to produce plates, cups and saucers. Show the contribution **per unit** and **total** contribution for **each** product.

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(c) Explain the implications for the local community if Alberta Limited decides to extend its product range.

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