3	Barkis & Co Ltd manufacture specialised containers for use under water. The business uses two machines. These machines have different levels of efficiency. The following information applies to production and costs:				
	Machine	X	Υ		
	Hourly rate of production	160	250		

Material cost per unit

Number of operatives

Fixed costs per order

Hourly labour rate

Variable unit costs

Orders have been received from different customers for **(a)** 800 and **(b)** 1000 containers. Which machine should be used for each order, in order to minimise cost? Orders may not be split between machines, but the same machine may be used for more than one order.

\$5.00

\$10

4

\$200

\$2.40

\$4.60

\$10

5

\$500

\$2.60

Order 123/P for 800 containers
[9]

(b)	Order 382/Q for 1000 containers
	[7]

(c)		Calculate the contribution to be made for order number 123/P to make a profit of 25% on total cost, using each machine.		
	(i)	Machine X		
	(ii)	Machine Y		
		[8]		

(d)	Barkis & Co Ltd require more funds to purchase an additional machine to complete further orders. Three methods of doing so have been discussed:			
	(i)	a rights issue;		
	(ii)	an issue of shares to the public;		
	(iii)	an issue of debentures.		
Give one advantage and one disadvantage of each method.				
		[6]		



