3 Darnick Holdalls Ltd manufacture three types of high quality hand-made cases, Small, Medium and Large. These are manufactured in two departments, the cutting department and the stitching department. There are also two service departments, maintenance and canteen. The estimated data for the year ending 31 December 2004 is as follows.

	Small	Medium	Large
Estimated production (units)	10 000	9 000	4 400
Machine hours required per unit	3	4	5
	$	$	$
Unit selling price	125	140	155
Unit prime costs			
Direct materials	30	35	40
Direct labour – cutting department	17	18	20
Direct labour – stitching department	5	6	7

Estimated overheads for the year ending 31 December 2004

	Cutting	Stitching	Mainten-ance	Canteen	Total
Space costs					$90 000
Depreciation of Equipment					$200 000
Allocated overheads	$44 200	$47 600	$15 000	$18 000	$124 800
					$414 800
Additional information					
Floor area (sq metres)	5 000	6 000	2 000	2 000	
Number of employees	12	9	4	5	
Cost of equipment	$700 000	$850 000	$250 000	$200 000	

REQUIRED

(a) the grid below to prepare an overhead analysis sheet for the year ending 31 December 2004 detailing overheads for the cutting and stitching departments. Canteen costs are shared among all the other departments on the basis of number of employees. Maintenance costs are shared between the production departments on the basis of 70% to stitching and 30% to cutting.

Overheads	Cutting $	Stitching $	Maintenance $	Canteen $

[17]

(b) Calculate the overhead recovery rate for

(i) the cutting department, based on direct wages;

(ii) the stitching department, based on machine hours.

Show all workings.

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(c) Give reasons for the two different methods used in **(b)**.

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(d) Calculate the total unit cost of **one** Medium case.

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