

- 3 Singh Ltd manufactures three products - Athol, Brose and Crowdie – selling at \$3, \$7 and \$4 respectively. The manufacturing process is the same for all products but each requires a different quality of raw material.

Expected trading results for the six months ending 31 May 2010 are as follows:

	Athol \$	Brose \$	Crowdie \$	Total \$
Sales	<u>120 000</u>	<u>91 000</u>	<u>88 000</u>	<u>299 000</u>
Variable costs				
Direct materials	48 000	52 000	27 500	127 500
Direct labour (paid at \$4 per hour)	20 000	13 000	22 000	55 000
Variable overheads	<u>40 000</u>	<u>39 000</u>	<u>11 000</u>	<u>90 000</u>
	<u>108 000</u>	<u>104 000</u>	<u>60 500</u>	<u>272 500</u>
Fixed costs				<u>20 000</u>
				<u>292 500</u>
Estimated profit				<u>6 500</u>

REQUIRED

- (a) Calculate the estimated number of direct labour hours needed to manufacture **each** product, and in total.

.....

.....

.....

.....

.....

..... [2]

- (b) Calculate the estimated contribution **per direct labour hour** for products Athol and Crowdie.

.....

.....

.....

.....

.....

..... [4]

(c) Calculate the number of units of **each** of the **three** products produced per direct labour hour.

[9]

Management has decided to cease production of Brose with effect from 1 June 2010.

REQUIRED

(d) State why management has decided to take this action.

[1]

