4 Rodriguez Limited is a manufacturing business producing two products, Product X and Product Y. The following budgeted information is available for the next month:

	Product X	Product Y
Budgeted production (units)	5000	7000
Costs per unit:	$	$
Materials	12.50	10.75
Labour	18.40	27.60
Variable overheads	9.10	6.65
Fixed overheads	5.75	4.80

Additional information

1 Both products are sold with a 20% mark-up on marginal cost.

2 Direct labour is paid at a rate of $4.60 per hour.

REQUIRED

(a) Calculate for each product

(i) unit contribution in dollars,

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(ii) total direct labour hours required to meet budgeted production.

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Additional information

The business only has a total of 59 000 direct labour hours available.

REQUIRED

(b) Calculate the maximum profit that can be achieved from the total direct labour hours available.

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Additional information

The company has two possible options to enable it to achieve the budgeted production.

Option 1 Pay existing staff overtime. This will be paid at a rate of $5.75 per hour.

Option 2 Buy in the required products from an external supplier at a cost of $50 per unit.

REQUIRED

(c) (i) Evaluate the options available to the company to achieve the budgeted production.

Support your answers with calculations.

Option 1 ....

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Option 2 ....

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(ii) Recommend which option the company should choose. Justify your answer.

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(d) **(i)** State **three** advantages of budgetary control.

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(ii) State **three** disadvantages of budgetary control.

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