

Task 8

A company manufactures two products, Alpha and Delta. The two overhead activities, production set-up, and material handling have budgets of £2,000,000 and £3,500,000 respectively.

Alpha uses two hours of direct labour per unit, and Delta uses one hour.

The following table provides additional information.

	Alpha	Delta
Direct materials per unit	£6.00	£10.00
Direct labour per unit	£30.00	£15.00
Number of material requisitions	175	700
Number of production set-ups	50	200
Budgeted production units	87,500	100,000

- (a) Complete the following table, using Activity Based Costing principles.

Cost driver – per material requisition £		
Cost driver – per production set-up £		
	Alpha £	Delta £
Total materials handling cost		
Total production set-up cost		

- (b) Calculate total fixed overheads if they were absorbed on a budgeted labour hour basis, using the following table.

Budgeted labour hours		
Overhead absorption rate £		
	Alpha £	Delta £
Overheads per unit		
Total overheads absorbed		