

**Task 9**

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.

	Alpha £	Delta £
Cost driver – per material requisition £		
Cost driver – per production set-up £		
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.

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

(c) Using the information from (a) and (b) calculate the total cost per unit, using ABC and absorption using labour hours. Round amounts to the nearest penny.

	Alpha £	Delta £
Total cost per unit using ABC		
Total cost per unit using absorption costing		