

EXAM-STYLE QUESTIONS

- 1 A manufacturing firm is very busy and overtime is being worked.
The amount of overtime premium contained in direct wages would normally be classed as:
- A part of prime cost
B factory overheads
C direct labour costs
D administrative overheads.
- 2 A contract cleaning firm estimates that it will take 2,520 actual cleaning hours to clean an office block. Unavoidable interruptions and lost time are estimated to take 10% of the operatives' time. If the wage rate is £4 per hour, what is the budgeted labour cost?
- A £10,080
B £11,088
C £11,200
D £12,197
- 3 Which of the following would be classed as indirect labour?
- A Assembly workers in a company manufacturing televisions
B A stores assistant in a factory store
C Plasterers in a construction company
D An audit clerk in a firm of auditors
- 4 Gross wages incurred in Department 1 in June were £135,000. The wages analysis shows the following summary breakdown of the gross pay:

	<i>Paid to direct labour</i>	<i>Paid to indirect labour</i>
	£	£
Ordinary time	62,965	29,750
Overtime		
Basic pay	13,600	8,750
Premium	3,400	2,190
Shift allowance	6,750	3,495
Sick pay	3,450	650
	<u>£90,165</u>	<u>£44,835</u>

What is the direct wages cost for Department 1 in June?

- A £62,965
B £76,565
C £86,715
D £90,165

PRACTICE QUESTION

COMPONENTS A, B AND C

A factory manufactures three components A, B and C.

During Week 26, the following was recorded:

<i>Labour grade</i>	<i>Number of employees</i>	<i>Rate per hour</i>	<i>Individual hours worked</i>
		£	
I	6	6.00	40
II	18	5.00	42
III	4	4.50	40
IV	1	4.00	44

Output and standard times during the same week were:

<i>Component</i>	<i>Output (each)</i>	<i>Standard minutes</i>
A	444	30
B	900	54
C	480	66

The normal working week is 38 hours, overtime is paid at a premium of 50% of the normal hourly rate.

A group incentive scheme is in operation. The time saved is expressed as a percentage of hours worked and is shared between the group as a proportion of the hours worked by each grade.

The rate paid is 75% of the normal hourly rate.

Required:

- (a) Calculate the total payroll showing the basic pay, overtime premium and bonus pay as separate totals for each grade of labour. **(12 marks)**
- (b) Summarise two advantages and two disadvantages of group incentive schemes. **(4 marks)**

(Total: 16 marks)