

Question 26

Brittle Steel Ltd produces three varieties of alloy car rims. Below is Brittle Steel's plan for the next month. Its capacity is shown below and you are told that planned output is equal to maximum demand.

Product	Alpha	Beta	Gamma
	£ per unit	£ per unit	£ per unit
Selling price	180	220	250
Raw materials cost	15	70	30
Direct labour cost	50	75	45
Other variable costs	20	30	30
Fixed overhead cost	166,000	160,000	170,000
Planned output/ Maximum demand	450	200	150
Direct labour hours per unit	8	10	12

It has now been established that next month's labour hours are limited to 6,480 hours.

Required:

Please present your answers in the table on the next page:

1. Calculate the contribution per rim for each variety [6 marks]
2. Assuming Brittle Steel Ltd would like to maximise profits, in rank the rims order should the alloy rims be produced? [3 marks]
3. Produce next month's production plan for Brittle Steel Ltd [6 marks]
4. Calculate next month's total profit for Brittle Steel Ltd using a marginal costing income statement [10 marks]