

Activity 1**(30 minutes)**

Pippin Ltd has three production departments (forming, machines and assembly) and two service departments (maintenance and general).

The following is an analysis of budgeted overhead costs for a twelve-month period.

	£	£
Rent and rates		8,000
Power		750
Light, heat		5,000
Repairs, maintenance:		
Forming	800	
Machines	1,800	
Assembly	300	
Maintenance	200	
General	100	
		3,200
Departmental expenses:		
Forming	1,500	
Machines	2,300	
Assembly	1,100	
Maintenance	900	
General	1,500	
		7,300
Depreciation:		
Plant		10,000
Fixtures and fittings		250
Insurance:		
Plant		2,000
Buildings		500
Indirect labour:		
Forming	3,000	
Machines	5,000	
Assembly	1,500	
Maintenance	4,000	
General	2,000	
		15,500
		<u>52,500</u>

Other available data are as follows

	Floor area sq.ft	Plant value £	Fixtures & fittings £	Effective horse - power	Direct cost for year £	Labour hours worked	Machine hours worked
Forming	2,000	25,000	1,000	40	20,500	14,400	12,000
Machines	4,000	60,000	500	90	30,300	20,500	21,600
Assembly	3,000	7,500	2,000	15	24,200	20,200	2,000
Maintenance	500	7,500	1,000	5	-	-	-
General	500	-	500	-	-	-	-
	<u>10,000</u>	<u>100,000</u>	<u>5,000</u>	<u>150</u>	<u>75,000</u>	<u>55,100</u>	<u>35,600</u>

Using the data provided, apportion overheads to the five departments.

Activity 2**(20 minutes)**

Using your solution to Question 1 and the following information about the apportionment of service department costs, apportion the costs of the two service departments of Pippin Ltd to the three production departments and hence determine the total overhead for those departments.

	<i>Maintenance</i>	<i>General</i>
	%	%
Forming	20	30
Machines	50	60
Assembly	30	10
	<u>100</u>	<u>100</u>

Activity 3**(15 minutes)**

Using your solution to Activity 2 and the following information, determine suitable overhead absorption rates for Pippin Ltd's three production departments.

	<i>Forming</i>	<i>Machines</i>	<i>Assembly</i>
Budgeted direct labour hours per annum	5,556	790	5,240
Budgeted machine hours per annum	1,350	5,626	147