

**Practice Question**

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

Product	Spring	Icon	Stella
	£ per unit	£ per unit	£ per unit
Selling price	100	190	210
Raw materials cost	12	50	60
Direct labour cost	30	55	35
Other variable costs	10	20	25
Fixed overhead cost	40,000	65,000	80,000
Planned output/ Maximum demand	400	150	180
Direct labour hours per unit	6	8	12

It has now been established that next month's labour hours are limited to 5,400 hours.

Required:

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

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