

Higher Accounting

Exemplification with new terminology

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1 The following balances were extracted from the books of Uryside plc:

	Dr £000	Cr
Opening Inventory — Raw Materials	2000	2000
Purchases of Raw Materials	1/0	
Factory Wagos	140	
Factory Wayes	100	
Royalles	20	20
Concrete Factory Machinery	<u> </u>	30
General Factory Expenses	60	
Factory Rent and Rates	31	
Factory Insurance	35	
Opening Inventory: Work-in-progress	12	000
Sales Revenue		800
Sales Returns	20	
Opening Inventory: Finished Goods	40	
Carriage on Purchases of Raw Materials	20	
Purchases Returns on Raw Materials		5
Provision for Bad Debts		11
Office Expenses	36	
Selling Expenses	40	
Bad Debts	6	
Unappropriated Profit		14
Ordinary Dividend	6	
Property	215	
Equipment	100	
Provision for Depreciation Equipment		6
Factory Machinery	80	
Preliminary Expenses	9	
Share Premium		110
Investments	100	
Goodwill	30	
Trade Receivables	80	
VAI Trada Davahlaa	11	50
Cash and Cash Equivalents		50
10% Debentures		60
100,000 7% Preference Shares of £1.00 each		100
100,000 Ordinary Shares of £1.00 each		100
	1,291	1,291

(1 continued)

NOTES AT 31 DECEMBER YEAR 5

1	Closing Inventory:	Raw Materials Work-in-progress	£18,000 £16,000
		Finished Goods	£55,000

- 2 Factory wages are to be split 80% direct factory wages, 20% indirect factory wages.
- 3 Market value of production is £500,000.
- 4 Office expenses prepaid £4,000.
- 5 Selling expenses due £10,000.
- 6 The provision for doubtful debts is to be adjusted to 10% of closing trade receivables.
- 7 Preliminary expenses are to be written down by transfer from the share premium account.
- 8 Non-current assets are to be depreciated as follows:

Factory Machinery 10% of the reduced balance Equipment — 5% on cost

- 9 Property was professionally revalued at £250,000.
- 10 Dividends of £5,000 were owing on the quoted investments.
- 11 Provide for corporation tax at 25% of profit for the year.
- 12 Goodwill is to be written down by £20,000.
- 13 The preference dividend was paid in full by cheque, but omitted from the accounts in error.

You are required to prepare (for internal use), from the trial balance and notes:

(a) Manufacturing Account for the year ended 31 December Year 5	10
(b) Income Statement for the year ended 31 December Year 5	16
(c) Statement of Financial Position as at 31 December Year 5	14

(40)

2 The following budgeted data relates to the firm of Selbie plc, for the period July to December Year 2.

	July	August	September	October	November	December
Sales (units)	5,600	5,800	5,900	6,100	6,200	6,300

- Closing inventory at the end of each month is equal to the level of credit sales revenue of the following month.
- Credit Sales are 20% of total sales.
- (a) **Prepare** the Production Budget for the period August to November.

4

The following information is also available:

- 1 Cash balance at 1 September is expected to be £9,500
- 2 The retail selling price per unit will be £40:
 - Credit sales which are to trade customers, receive a 10% discount on the retail selling price.
 - Credit sales are paid one month after sale, however, 5% of the amounts due from these customers are expected to be bad debts.
- 3 A sales commission of £2.00 per unit is to be paid on all sales in the month of sale.
- 4 Unit costs will be as follows:
 - Materials £13 per unit, payable in the month **before** production.
 - Labour £14 per unit, payable in the month of production.
 - Variable overheads £8.00 per unit, 3/4 payable in the month of production and the remainder payable the month following production.
- 5 Fixed overheads, including depreciation of £2,000, are £6,000 per month.
- 6 New machinery is to be purchased in August for £100,000. This is to be repaid in four equal quarterly instalments, beginning in September.
- 7 10,000 £1.00 shares are to be issued in August, at a premium of 50p per share. Full payment for the issue will be received in October.
- (b) **Prepare** the cash budget for September and October. 14
- (c) Give **two** advantages, for a management accountant, of using a spreadsheet to prepare a cash budget.

(20)

3 PART A

The following information is available for **two** companies:

			Barclay plc	Harlaw plc		
Net Profit after Interest and Tax Ordinary Shares of £1.00 each 5% Preference Shares Ordinary Shares Market Price Ordinary Dividend per share		r Interest and Tax res of £1.00 each e Shares res Market Price lend per share	£600,000 £500,000 £400,000 £2·50 10p	£200,000 £250,000 £4·00 12p		
(a)	Calcul	ate for each company:				
	(i) (ii) (iii) (iv)	Dividend Yield Dividend Cover Earnings per share Price/earnings Ratio	2	2 2 2 2		
	Answe		5.			
(b)	Analys	e the ratios calculated above and give a	dvice to a potential investo	or. 4		
3	PART	В				
(a)	Explain the steps necessary when admitting a new partner to a business.					

(b)	Explain four duties of a financial accountant.	4

(20)

4 The following data relates to Year 1 of the firm Daviot plc, which manufactures **three** luxury soft toys — Ellie, Leo and Bunny.

	Ellie	Leo	Bunny
Selling Price per unit	£16	£41	£40
Material Cost per unit	£4	£9	£12
Labour Cost per machine hour	£3	£2	£3
Variable Overheads per unit	£2	£2	£4
Machine Hours per unit	2	3	4
Sales and Production (units)	10,000	6,000	5,000

Annual Fixed Costs are £200,000

(a) **Calculate:**

- (i) Total Machine Hours Worked in Year 1
- (ii) Unit Contribution
- (iii) Total profit for the Year 1

9

In Year 2, it is estimated that the total machine hours will be reduced by 10% and that the demand for unit sales of each product will continue at the same level as Year 1.

In Year 2, annual fixed costs will decrease by 20%.

- (b) You are required to **calculate** for Year 2:
 - (i) Quantity of each product to be produced and sold to maximise profits
 - (ii) Increase/decrease in total profit

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(c) Explain the term "opportunity cost" in relation to decision-making. 1

(20)

Higher Accounting

Exemplification with new terminology: solutions

1 (a) Uryside plc Manufacturing Account for year ending 31 December Year 5

	£000		£000	
Raw Materials Cost				
Opening Inventory — Raw Materials			20	٦
Add Purchases of Raw Materials	140	ſ		
Add Carriage on Raw Materials	<u> </u>	(1)		(1)
Less Purchases Returns	5		155	
Less Clasing Inventory Days Materials			175	
Less Closing Inventory — Raw Materials		-	18	
COST OF RAW MATERIALS CONSUMED			157	
Add Direct Costs				
Direct Wages (80%)	144	(1)		
Royalties	20	(1)	<u>164</u>	
PRIME COST OF MANUFACTURE			321	
Add Factory Overheads				
Indirect Wages (20%)	36	(1)		
Depreciation of Factory Machinery	5	(1)		
General Factory Expenses	60	7		
Factory Rent and Rates	31	(1)		
Factory Insurance	35		167	
			488	
Add Inventory: Work-in-progress at start		-	12]
			500	(1)
Less Inventory: Work-in-progress at end			16	
FACTORY COST OF PRODUCTION		-	484	-
Add Profit on Manufacture			16	(1)
WHOLESALE VALUE OF FINISHED GOODS		-	500	(1)

1 (b) Uryside plc Income Statement for y/e 31 December Year 5	£000	£000	
Sales Revenue Less Sales Returns Net Sales Revenue Less Cost of Sales		800 20 780	(1)
Opening Inventory of Finished Goods	40*		
WHOLESALE VALUE OF FINISHED GOODS	50 0 (1) 54 0		(1)*both figures
Less Closing Inventory of Finished Goods COST OF SALES Gross Profit Add Profit on Manufacture	55*	485 295 <u>16</u> 311	(1)
Less Expenses Office Expenses (36 – 4) Selling Expenses (40 + 10) Bad Debts Debenture Finance Cost Due Provision for Depreciation: Equipment (5% × 100)	32 (1) 50 (1) 6 (1) 6 (1) 5 (1)	<u> </u>	
Add Income Dividends Due on Investments Decrease in Provision for Bad Debts NET PROFIT BEFORE TAX LESS Corporation Tax (25%) NET PROFIT AFTER TAX ADD Unappropriated Profit	5 (1) <u>3</u> (1)	8 220 55 165 14 179	(1) (1)
Less Appropriations Preference Dividend (7% × 100) Goodwill Written Down Ordinary Dividend UNAPPROPRIATED PROFIT C/F	7 (1) 20 6 (1)	<u>33</u> 146	

Labels, headings and arithmetic

(1)

1 (c) Statement of Financial Position as at 31 December Year 5

	£000		£000		£000	
Non-current Assets						
Property	215		-35		250	(1)
Equipment	100		11		89 —	1
Factory Machinery	80		35		45	(1)
Intangible Assets [Goodwill (30 - 20)]					ך 10	
Investments					100	(1)
					494	
O						
			00	(1)		
Trade Receivables $(80 - 8)$			09 72	(1)		
Dividends Receivable			5	(')		
General Expenses Receivable			4	(1)		
VAT			11	(1)		
v, (1		-	181	(.)		
Less Current Liabilities						
Trade Pavables	50	٦				
Debenture Finance Cost Due	6					
Corporation Tax Due	55	(3)	(for each	missi	ng, reduc	e by 1)
Selling Expenses Payable	10		•		•	• •
Cash and Cash Equivalents	12	J	133			
WORKING CAPITAL					48	
TOTAL NET ASSETS					542	
Loss Long torm Liabilities						
Debentures					60	(1)
Debentares					482	(')
				:	402	
FOUITY						
SHARE CAPITAL						
100.000 7% Preference Shares of £1.00						
each			100]			
100,000 Ordinary Shares of £1.00 each			100 」	(1)	200	
		-	with no/va	alue		
RESERVES						
Sharo Bromium (110 0)			101 7	(1)		
Fauity Reserve			35	(1)		
Unappropriated Profit			146	(1)	282	
		-		(.)	482	
				:	102	

2 (a)

SELBIE PLC

	Credit Sales Cash (Retail) Sales	Jul 1,120 4,480	Aug 1,160 4,640	Sep 1,180 4,720	Oct 1,220 4,880	Nov 1,240 4,960	Dec 1,260 5,040
	Total Sales	5,600	5,800	5,900	6,100	6,200	6,300
	PRODUCTION BUDGET	Aug	Sep	Oct	Nov		
	Sales	5,800	5,900	6,100	6,200		
	Less Opening Inventory	<u>1,160</u>	<u>1,180</u>	<u>1,220</u>	<u>1,240</u>	(1) line	•
	Add Classing Inventory	4,640	4,720	4,880	4,960	(1) line	
	Add Closing Inventory	<u>1,180</u> 5,920	<u>1,220</u> 5,040	<u>1,240</u> 6,120	<u>1,260</u>	(1) line (2) line	•
	PRODUCTION	<u>3,820</u>	<u>3,940</u>	<u>6,120</u>	<u>6,220</u>	(z) ine	;
	UNIT DATA	Cash	Credit				-
	Selling Price	£40	£36.00				
	Material	£13					
	Labour	£14					
	Variable Overheads	£8					
	Sales Commission	£2					
(b)	CASH BUDGET — SEPT	EMBER A		BER			
()		Sep		Oct			
	Opening Balance	9,500	(1)	-12,828			
	RECEIPTS						
	Cash Sales Revenue	188,800		195,200	(1) line		
	Credit Sales Revenue	39,672	(1)	40,356	(1)		
	Share Issue/Share			4 = 000			
				15,000	(1)		
	TOTAL RECEIPTS	228,472		250,556			
	PAYMENTS						
	Materials	79,560		80,860	(1)		
	Labour	83,160		85,680	(1)		
	Variable Overheads	-		·			
	3/4	35,640		36,720	(1)		
	Variable Overneads	11 640		11 880	(1)		
	Fixed Overheads	4 000		4 000	(1)		
	New Machine	25.000	(1)	1,000	(•)		
	Sales Commission	11,800	(1)	12,200	(1)		
	TOTAL PAYMENTS	250,800	~ /	231,340			
	=	<u> </u>		<u> </u>			
	Closing Balance	-12,828		6,388			
				· · · · · ·			

Layout, arithmetic, heading & closing balances

(1)

(C)

Possible answers at 1 mark each:

- Use of formulae to calculate figures, reduces human error.
- Can show the effects of "what if" scenarios in, for example, purchase of new fixed assets.
- Changes to any data in the spreadsheet are automatically updated with the use of formulae.
- Use of multiple worksheets to link statements.
- Use of templates from year to year.

3 PART A

				Barclay plc		Harlaw p	С	
(a)	(i)	Dividend yield				-		
		Ordinary dividend per share	x 100	0·10 * 100		0∙12 * 100		
		share		2.5		4		
				4%	(1)	3%		(1)
	(ii)	Dividend cover						
		PfY (NP) − pref div Ord div		600,000 - (5% * 400,000) 0.10*500,0	000	200,000 0.12*250,	000	
				11.60 time	s (1)	6.67	tim es	(1)
	(iii)	Earnings per share						
		PfY (NP) - Pref div No of ord shares		600,000 - 20,0 500,000	000	200,000 250,000		
				£1.16	(1)	£0.80		(1)
	(iv)	Price/earnings ratio						
		Market price per shares Earnings per share		£2·50 £1·16		£4.00 £0.80		
				2.16 time	s (1)	5.00	times	(1)

(b)

Possible answers at 1 mark each:

- Barclay plc has a slightly better dividend yield than Harlaw plc, indicating that they have a better performance than Harlaw plc and that the client would receive a better return on their investment.
- The dividend cover shows that Crichic plc retains more of its profits in the business in reserves for reinvestment, which may benefit the investor with increased share price.
- If the investor is looking for income, Harlaw plc distributes more of its profits to the shareholders.
- Barclay plc shows better earnings per share than Harlaw plc, which may be a better indicator to potential investors than dividend yield or rate of dividend.
- It would cost 3.69 times its earnings to buy shares in Barclay plc but 4.57 times to buy Harlaw plc, so it would be a better time to purchase shares in Barclay plc.
- Taking into account all the above the best recommendation for a potential investor would be to invest in Barclay plc.

4

PART B

(a) **Possible answers at 1 mark each:**

- Revaluation of assets.
- Sharing of any profit or loss on revaluation among existing partners.
- Valuation of goodwill.
- Sharing of goodwill among existing partners.
- Goodwill can be written off between the new partners.
- Update capital accounts.
- Revision of the partnership agreement to include the financial (1 mark) details of the new partner and the new profit sharing ratio (max 1 mark) capital, drawings, interest on each, salary, premium for goodwill.

(b) **Possible answers at 1 mark each:**

- 4
- Reports to the owners of the firm the effect of managerial decisions on the performance of the firm.
- Keeps accurate records of the daily financial transactions of the firm.
- Checks the financial records to maintain accuracy and reduce fraud.
- Prepares periodic financial statements to show profit/loss, balance sheet, etc.
- Prepares accounts for auditing and publication, as and if required.
- Ensures that the firm is operating within the rules laid down by legislation from government or professional bodies.
- Taxation calculations.
- Ratio analysis.

Ellie Leo Bunny Total (i) Machine Hours Per Unit 2 3 4 Production 10,000 6,000 5,000 58,000 20,000 (ii) Unit Contribution £ <	4												
(i) Machine Hours Per Unit 2 3 4 Production 10.000 6.000 20,000 58,000 2 (ii) Unit Contribution £ </th <th>(a)</th> <th></th> <th></th> <th>Ellie</th> <th></th> <th>Leo</th> <th></th> <th>Bunny</th> <th></th> <th>Total</th> <th></th> <th></th> <th></th>	(a)			Ellie		Leo		Bunny		Total			
Production 10.000 6.000 5.000 20,000 (8) Unit Contribution £		(i)	Machine Hours Per Unit	2		3		4					
Total Machine Hours 20,000 18,000 20,000 58,000 12 (i) Unit Contribution £			Production	10,000		6,000		5,000					
(i) Unit Contribution £			Total Machine Hours	20,000		18,000		20,000		58,000		2	
Selling Price 16 41 40 Materials 4 9 12 4 Overheads 2 4 9 12 4 Unit Contribution £4 1 £24 1 £12 6 (ii) Contribution per unit £4 1 £24 1 £12 1 3 (iii) Contribution per unit £4 1 £24 1 £12 1 3 (iii) Contribution per unit £40,000 £14,000 £14,000 £60,000 £24,000 200,000 1 5,000 224,000 200,000 1 5,000 224,000 200,000 1 6,000 1 6,000 200,000 1	_	(ii)	Unit Contribution	£	£	£	£	£	£				
Less Variable Costs: 4 9 12 Maerials 4 9 12 4 Labour 5 12 6 17 12 28 (ii) Contribution 54 1 512 1 5000 1 <td></td> <td></td> <td>Selling Price</td> <td></td> <td>16</td> <td></td> <td>41</td> <td></td> <td>40</td> <td></td> <td></td> <td></td> <td></td>			Selling Price		16		41		40				
Materials 4 9 12 4 Overheads 2 2 4 Labour 2 1 12 2 Unit Contribution £4 1 £24 1 £12 Production £4 1 £24 1 £12 1 3 (ii) Contribution per unit £4 £4 £24 1 £12 1 3 Total Contribution per unit £40,000 £144,000 £144,000 £40,000 £44,000 £22,00 1 <td></td> <td></td> <td>Less Variable Costs:</td> <td></td>			Less Variable Costs:										
Overheads 2 2 4 2 Labour 6 12 6 12 12 12 12 13 12 <td< td=""><td></td><td></td><td>Materials</td><td>4</td><td></td><td>9</td><td></td><td>12</td><td></td><td></td><td></td><td></td><td></td></td<>			Materials	4		9		12					
Labour 6 12 6 17 12 28 Unit Contribution E4 1 E24 1 E12 1 1 E12 1 8 (iii) Contribution per unit E4 E24 1 E12 1 8 Production 10.000 1 6,000 1 50.00 1 200.00 1 50.00 1 50.00 1 50.00 1 50.00 1 50.00 1 50.00 1 50.00 1 50.00 1 50.00 1 50.00 1 50.00 1			Overheads	2		2		4					
Unit Contribution E4 E24 1 E12 1 8 (iii) Contribution per unit £4 £24 £12 1 8 Production 10.000 1 6.000 1 5.000 200.000 Less Fixed Overheads Total Contribution per unit £44,000 £144,000 £144,000 200.000 1 6.000 1 5.000 200.000 1 5.000 200.000 1 5.000 200.000 1 5.000 200.000 1 5.000 200.000 1 5.000 200.000 1 5.000 200.000 1 5.000 200.000 1 5.000 200.000 1 5.000 200.000 1			Labour	6	12	6	17	12	28				
(iii) Contribution per unit 54 524 512 Production 10,000 1 6,000 1 5,000 1 Total Contribution per unit 540,000 £144,000 £000 20,000 1 5,000 1 5,000 1 5,000 1 5,000 1 5,000 1 5,000 1 5,000 20,000 1 5,000 1 <td></td> <td></td> <td>Unit Contribution</td> <td>_</td> <td>£4</td> <td>1</td> <td>£24</td> <td>1</td> <td>£12</td> <td>1</td> <td></td> <td>3</td> <td></td>			Unit Contribution	_	£4	1	£24	1	£12	1		3	
(ii) Contribution per unit E44,000 1 5,000 1 5,000 1 Total Contribution per unit E40,000 E144,000 E60,000 E244,000 200,000 1 Total Contribution per unit E40,000 E144,000 E60,000 E244,000 4 9 (i) (i) Number of machine hours available for Year 2 = 90% * 58,000 = 52,200 hours 1 1 1 (ii) Contribution per Machine Hour E44 E24 E12 1 1 (iii) Contribution per Machine Hour E44 E24 E12 1 1 1 (iii) Contribution per Machine Hour E44 E24 E12 1<		(iii)	Contribution per unit		C.4		C04	7	C10				
10000 1 0,000 1 5,000 1 5,000 1 5,000 1 200,000 1 </td <td></td> <td>(111)</td> <td>Contribution per unit</td> <td></td> <td>10 000</td> <td></td> <td>£24</td> <td></td> <td>£ 12</td> <td></td> <td></td> <td></td> <td></td>		(111)	Contribution per unit		10 000		£24		£ 12				
India Continuon per dinit F40,000 F144,000 F60,000 F244,000 F244,000 Less Fixed Overheads 1 1 1 1 1 1 (i) Number of machine hours available for Year 2 = 90% * 58,000 = 52,200 hours 1 1 1 (ii) Contribution per Machine Hour £44 £24 £12 1 1 (iii) Contribution per Machine Hour £44 1 41 1 1 (iii) Contribution per Machine Hour £12 3 1 41 1 1 (iii) Contribution per Machine Hour £14 1	_		Filoduciion Tatal Castributian nasunit		C40,000		0,000	•	0,000	CO44.000			
Less Fixed Costs 700 1 1 1 (i) Number of machine hours available for Year 2 = 90% *58,000 = 52,200 hours 1 1 (ii) Contribution per Machine Hour £4 1 1 1 (ii) Contribution per Machine Hour £4 1 1 1 (iii) Contribution per Machine Hour £4 1 1 1 2 8 3 1 4 1 1 0 Order of priority 3 1 2 1 1 Machine Hours Allocated to each product = 52200 - (18000 + 20000) 1 1 1 1 (iii) Total Contribution (units hrs x cont per un 7100 * 1 6,000 20,000 52,200 1 (iii) Total Profit 1 1 1 1 1 1 (iii) Total Contribution (units hrs x cont per un 7100 * 4 £ 1 1 1 1 1 1 (iii) Total Profit 1 28,400 144,000 60,000 232,400 2 1 <t< td=""><td>_</td><td>_</td><td>Total Contribution per unit</td><td></td><td>£40,000</td><td></td><td>£144,000</td><td></td><td>£60,000</td><td>£244,000</td><td></td><td></td><td></td></t<>	_	_	Total Contribution per unit		£40,000		£144,000		£60,000	£244,000			
Total Profit Edd.000 4 9 (b) (i) Number of machine hours available for Year 2 = 90% * 58,000 = 52,200 hours 1 1 (ii) Contribution per Machine Hour Édd Leo Bunny Total (iii) Contribution per Machine Hour Édd 24 5240 6121 7 (iii) Contribution per Machine Hour Édd 24 524 6121 7 <td>_</td> <td>_</td> <td>Less Fixed Overheads</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>200,000</td> <td>1</td> <td>_</td> <td></td>	_	_	Less Fixed Overheads							200,000	1	_	
(b) Number of machine hours available for Year 2 = 90% * 58,000 = 52,200 hours 1 Total (ii) Contribution per Machine Hour £4 £24 £12 Total 1 (ii) Contribution per Machine Hour £4 £24 £12 Total 1 (ii) Contribution per Machine Hour £4 £24 £12 Total 1 (iii) Contribution per Machine Hour £4 53 1 44 1 1 (iii) Control per of priority 3 1 2 8 3 1 2 1			Total Profit							£44,000		4	9
Ellie Leo Bunny Total (i) Contribution per Machine Hour £4 £24 £12 2 8 3 44 5 0 Order of priority 3 1 44 5 0 Order of priority 3 1 2 8 3 5 Machine Hours Allocated to each product = 52200 - (18000 + 20000) 0 20,000 52,200 52,200 Quantity of each product to be produced: 7,100 ° 1 6,000 5,000 52,200 5 (iii) Total Contribution (units hrs x cont per un 7100 * 4 5 5 5 5 (iiii) Total Profit 1 28,400 144,000 60,000 232,400 2 Less Fixed Costs 1 1 1 1 1 1 1 1 Increase in Total Profit 1 1 1 1 1 1 1 1 1 Increase "must be stated to gain award. 1 1 1 1 1 1 1 1 Incr	(b)	(i)	Number of machine hours available for Y	'ear 2	= 90% * 58	3,000 = 52	2,200 hours	1				1	
(ii) Contribution per Machine Hour £4 £24 £12 2 3 1 4 4 2 8 3 1 4 0 0rder of priority 3 1 2 1 Machine Hours Allocated to each product = 52200 - (18000 + 20000) 1 2 1 Machine Hours Allocated to each product = 52200 - (18000 + 20000) 1 2 1 Quantity of each product to be produced: 7,100 * 1 6,000 5,000 52,200 5 Quantity of each product to be produced: 7,100 * 1 6,000 5,000 5 5 (iii) Total Contribution (units hrs x cont per un 7100 * 4 5 5 5 5 Less Fixed Costs 1 1 5 1 5 1 Increase in Total Profit 1 5 1				Ellie		Leo		Bunny		Total			
2 8 3 4 4 2 8 3 3 1 2 Machine Hours Allocated to each product = 52200 - (18000 + 20000) 20,000 52,200 Quantity of each product to be produced: 7,100 * 1 6,000 5,000 5 (iii) Total Contribution (units hrs x cont per un 7100 * 4 £ 22,2400 2 Less Fixed Costs 160,000 * 122,400 £ 22,400 1 Increase in Total Profit 1 £ 72,400 4 10 'Increase in Total Profit 1 28,400 4 10 1 22,400 2 Less Fixed Costs 160,000 * 1 1 1 27,400 4 10 'Increase in Total Profit 1 28,400 4 10 1 20 'Increase in Total Profit 1 20 20 20 20 20 20		(ii)	Contribution per Machine Hour	£4 -		£24	7	£12-					
2 8 3 Order of priority 3 Machine Hours Allocated to each product = 14,200 18,000 20,000 52,200 Quantity of each product to be produced: 7,100 14,200 18,000 20,000 52,200 Quantity of each product to be produced: 7,100 1 6,000 28,400 144,000 60,000 23,400 144,000 60,000 23,400 144,000 60,000 23,400 1 1 60,000 1 1 1 <tr< td=""><td></td><td></td><td>2 1</td><td></td><td>3</td><td>^t 1</td><td>4</td><td>1</td><td></td><td></td><td></td><td></td></tr<>				2 1		3	^t 1	4	1				
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Order of priority 3 1 2 1 2 1				2		ð		3					
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