Solutions

2.1

- Rate = 54,000/6,000.
- = £9.00 per machine hour.

2.2

- Overhead = 25×9 = £225.
- Job cost = $210 + 340 + 225$ = £775.

2.3

- Applied = $5{,}900 \times 9$ = £53,100.
- Actual £55,100 > applied → under-applied.
- By £2,000.

2.4

- Fixed OH per job = 30,000/12,000 = £2.50; absorption unit = $12 + 2.50$ = £14.50.
- Absorption profit = $10{,}000 \times (22 - 14.50)$ = £75,000.
- Variable profit = $10{,}000 \times 10 - 30{,}000$ = £70,000.
- Gap £5,000 = 2,000 unsold jobs × £2.50 parked in inventory.

2.5

- They agree when production = sales (no inventory movement).
- Absorption rewards PRODUCTION: making for inventory parks fixed cost and lifts reported profit without a sale.

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