

Chapter 12 : Q. 22 - Page 159 :

Query : I am unable to calculate Labour Hours. Please explain. **OR** My answers are not tallying with your answers, please explain.

Solution :

Good question.

- (1) It is assumed for this question, that a machine cannot be operated without an operator. It means, machine hours = labour hours.
- (2) One unit requires 12 hours and Standard Labour cost per unit is Rs. 12. It means, standard wage rate is Re. 1 per labour hour.
- (3) Actual labour (machine) hours worked are = 2,100 per machine x 24 machines = 50,400 hours.
- (4) Actual wage rate per hour = Actual wages / Actual hours = 45,360 / 50,400 = Rs. 0.90 per hour.
- (5) Budgeted machine hours = Budgeted labour hours = Normal operating time = 2,000 hours per machine x 24 machines = 48,000 hours.
- (6)
$$\begin{aligned} \text{SRR/Hour for Fixed OH} &= \text{Budgeted OH} / \text{Budgeted Hours} \\ &= \text{Rs. } 60,000 / 48,000 \text{ Hours} = \text{Rs. } 1.25 \text{ per hour} \end{aligned}$$

I think, you will get all the answers now on your own.