

Chapter 12 : Q. 22 - Page 119 (Volume IV - PM)

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) SRR/Hour for Fixed OH = Budgeted OH / Budgeted Hours
= Rs. 60,000 / 48,000 Hours
= Rs. 1.25 per hour

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