**Question 38**

**(a)** **Explain,** with an example of each, the different between an ‘apportionment’ of   
overheads and an ‘allocation’ of overheads. **4**

**(b)** **State three** methods of calculating overhead absorption rates and give the formula   
for each. **6**

**Total marks (10)**

**Question 38 — solution**

**(a)**

An ‘apportionment’ of overheads takes place when the overhead cost cannot be identified with a particular department **(1)**.Each department is charged with its share of the total overhead using an equitable basis **(1),** eg rent according to floor area occupied by each department **(1)**. **(up to a maximum of 2 marks)**

An ‘allocation’ of overheads takes place when the overhead cost can be identified with a particular department **(1)**.It is a cost which is unique to that particular department **(1)** and   
the department is charged with the actual overhead it has incurred **(1),** eg indirect   
materials, indirect wages **(1)**. **(up to a maximum of 2 marks)**

**4**

**(b)**

**Methods of calculating overhead absorption rates**

|  |  |  |  |
| --- | --- | --- | --- |
| (Rate per) Direct Labour Hour | **(1)** | Overhead Cost  No of Direct Labour Hours | **(1)** |
| (Rate per) Machine Hour | **(1)** | Overhead Cost  No of Machine Hours | **(1)** |
| (Rate per) Units Produced | **(1)** | Overhead Cost  No of Units Produced | **(1)** |
| Percentage of Prime Cost | **(1)** | Overhead Cost x 100  Prime Cost | **(1)** |
| Percentage of Direct Material Cost | **(1)** | Overhead Cost x 100  Direct Material Cost | **(1)** |
| Percentage of Direct Labour Cost | **(1)** | Overhead Cost x 100  Direct Labour Cost | **(1)** |

**(Any three lines for 2 marks each)**

**6**

**Total marks (10)**