

In the quarter ended March, KL's manufacturing overhead costs were :

	(₹ '000)
✓ Equipment operation expenses	125
✓ Equipment maintenance expenses	25
✓ Wages paid to technicians	85
✓ Wages paid to component stores staff	35
Wages paid to despatch staff	40
Total	310

During the quarter, the company reviewed the Cost Accounting System and concluded that absorbing overhead costs to individual products on a labour hour absorption basis was meaningless and that overhead costs should be attributed to products using an Activity Based Costing (ABC) system. The following are identified as the most significant activities :

- (i) Receiving component consignments from suppliers.
- (ii) Setting up equipment for production runs
- (iii) Quality inspections
- (iv) Despatching goods as per customers' orders.

Equipment operation and maintenance expenses are apportioned as :

- Component stores 15%, production runs 70% and despatch 15%

Technicians' wages are apportioned as :

- Equipment maintenance 30%, set up equipment for production runs 40% and quality inspections 30%.

During the quarter :

- (i) 980 component consignments were received from suppliers.
- (ii) 1020 production runs were set up
- (iii) 640 quality inspections were carried out.
- (iv) 420 orders were despatched to customers.