

Class - B Group Part III
 Subject - Cost Account
 Topic - Problem & Solution in Machine Hour Rate
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Problem: from the following information work out the Machine Hour Rate of a Saw Mill:

- ① Purchase of the Saw Mill Machine 90,000
- ② Railway freight and Carriage 6,000
- ③ Machine Installation charges 4,000
- ④ Life of Machine - 10 years at 2000 working hours per year
- ⑤ Repairs charges - 50% of Dep.
- ⑥ Consumption of Electric Power - 10 units per hour @ Rs 2 per unit.
- ⑦ Lubricating Oil @ Rs 4 per day of 8 hours.
- ⑧ Consumable stores @ Rs 20 per day of 8 hours
- ⑨ Wages of Machine Operator @ Rs. 40 per day of 8 hours.

Computation of MHR

Particulars	Total (Rs)	Per Hour (Rs)
<u>Standing charges:</u>		
Lubricating Oil	4	
Consumable stores.	20	
	24	
Standing charges per hour $\frac{24}{8} = 03$		03
<u>Machine charges:</u>		
Depreciation = $\frac{90,000 + 6,000 + 4,000}{10 \times 2000} = 05$		05
Repairs 50% of Rs 5		02.50
Power 10 units @ Rs 2 PU.		20.00
MHR		30.50
Wages operation $\frac{40}{8}$		05.00
Comprehensive MHR		35.50