QUESTION

The following information is given for a business:

Maximum Productive Capacity	40,000 units per year
Fixed Costs	€40,000 per year
Variable Costs	€2 per unit
Selling Price	€4 per unit

You are required to work out with the aid of a chart:

a) The output required to breakeven
b) The profit arising on sale of maximum output of 40,000 units
c) The number of units to be sold to earn €20,000 profit.

QUESTION.

Shadows Transport Systems manufacture a standard product which sells for €24 per unit. Materials and other direct overhead are €8 per unit. Monthly Fixed Overheads are €16,000.

I. Represent the data set out above on a Breakeven Chart. (7 marks)

II. Calculate the profit arising on production of 1,200 units. (6 marks)

III. The company considers that it can negotiate a downwards reduction in rent. Calculate by formula the revised Breakeven Output if fixed costs fall by 20% per month. (4 Marks)

IV. If selling price increases to €30 per unit, what will be the profit arising on sale of 1,500 units (4 marks).

V. What do you understand by the term "Contribution". (4 Marks)

(2010 Paper)

B/E QUESTIONS

Gleneagle Fabrications make a standard product which it sells for €60.00 per unit. Fixed costs are €96,000 per month and the variable cost of manufacture is €30.00 per unit.

REQUIRED:

a. Prepare a breakeven chart and from your chart determine the breakeven output. (6 marks)

b. Calculate the profit arising on production of 4,800 units. (5 marks)

c. Calculate by formula the revised Breakeven Output if fixed costs increase by 30% per month. (5 Marks)

d. If selling price increases to €80.00 per unit, what will be the profit arising on sale of 4,000 units (5 marks).

e. Define "Contribution". (4 Marks)

TOTAL 25 MARKS.

Derrane Fabrications make a standard product which it sells for €120.00 per unit. Fixed costs are €96,000 per month and the variable cost of manufacture is €60.00 per unit.

REQUIRED:

a. Prepare a breakeven chart and from your chart determine the breakeven output. (6 marks)

b. Calculate the profit arising on production of 2,400 units. (5 marks)

c. Calculate by formula the revised Breakeven Output if fixed costs increase by 30% per month. (5 Marks)

d. If selling price increases to €160.00 per unit, what will be the profit arising on sale of 2,000 units (5 marks).

e. Define "Contribution". (4 Marks)

TOTAL 25 MARKS.

Loughnane Fabrications make a standard product which it sells for €60 per
unit. Fixed costs are €96,000 per month and the variable cost of manufacture
is €30 per unit.

REQUIRED:

a. Prepare a breakeven chart and from your chart determine the breakeven output. (6 marks)

b. Calculate the profit arising on production of 4,800 units. (3 marks)

c. Calculate by formula the revised Breakeven Output if fixed costs increase by 20% per month. (3 Marks)

d. If selling price increases to €80 per unit, what will be the profit arising on sale of 4,000 units (3 marks).

e. Define "Contribution". (3 Marks)

TOTAL 18 MARKS.

Rowan Manufacturing make a standard product which it sells for EUR 12 per unit. Fixed costs are EUR 16,000 per month and the variable cost of manufacture is EUR 4 per unit.

REQUIRED:

a. Prepare a breakeven chart and from your chart determine the breakeven output. (6 marks)

b. Calculate the profit arising on production of 4,000 units. (3 marks)

c. Calculate by formula the revised Breakeven Output if fixed costs increase by 30% per month. (3 Marks)

d. If selling price increases to EUR 14 per unit, what will be the profit arising on sale of 4,000 units (3 marks).

e. Define "Contribution". (3 Marks)

TOTAL 18 MARKS.