

Chapter 9

Level 1

E9.9 *Time allowed – 15 minutes*

Break-even sales £140,000

Fixed cost for January £70,000

Profit for January £35,000

What were the sales?

E9.10 *Time allowed – 15 minutes*

Break-even sales £320,000

Fixed cost for January £80,000

Sales for January £400,000

What is the profit?

Level II

E9.11 *Time allowed – 60 minutes*

Battersby Ltd manufactures supermarket trolleys for a number of large retail chains. The relevant performance data for Battersby Ltd for January and February are as follows:

	January	February
Raw materials	£150,000	£180,000
Direct labour	£106,000	£123,500
Overheads	£209,000	£226,500
Number of units produced and sold	25,000	30,000
Selling price per unit	£25	£25

(i) You are required to determine the fixed costs for Battersby Ltd and its break-even point in sales value and units. (This may be calculated or by using a break-even chart).

The plant manager of Batterbys has sourced a new process, which will increase the fixed costs by £58,000 for each month, but he estimates that this will result in variable costs reducing by £4 per unit.

(ii) What would be the new break-even point and what would be the minimum sales level to justify the new process?

(iii) What other factors should the plant manager consider in deciding whether or not to go ahead and implement the new process?

E9.12 *Time allowed – 60 minutes*

West Country Furniture Ltd has received four quotes for a contract to produce hardwood doors. The quotes are:

Dozy	£70 per door
Beak	£3,500 + £50 per door
Mick	£10,500 + £35 per door
Tich	£17,500 + £20 per door

Which quote should the company accept, assuming reliability, quality, etc. are the same for each contractor?