**SAP** Ltd manufactures one standard product and in common with other

companies in the industry is suffering from the current depression in the market. Currently it is operating at a normal level of activity of 70%, which represents an output of 6300 units, but the sales director believes that a realistic forecast for the next budget period would be a level activity of 50%.

|  |  |  |  |
| --- | --- | --- | --- |
| Level of activity (%) | 60 | 70 | 80 |
| Direct materials (£). | 37,800 | 44,100 | 50,400 |
| Direct wages (£). | 16,200 | 18,900 | 21,600 |
| Production overhead (£) | 37,600 | 41,200 | 44,800 |
| Administration overhead (£) | 31,500 | 31,500 | 31,500 |
| Selling overhead (£) | 42,300 | 44,100 | 45,900 |

Profit is 25% of total costs

|  |
| --- |
|  |

a) Calculate cost per unit for the following at the 50% activity level:

* Direct cost per unit
* Variable production cost unit
* Production cost per unit
* Variable cost per unit
* Total cost per unit
* Selling price per unit

b) Budgeted marginal costing profit statement based on a 50% activity level.

c) Budgeted absorption costing profit statement based on a 50% activity level.