

29 A company provides the following information about its product.

selling price	\$100
variable cost per unit	\$40
fixed costs	\$21 600
break-even point	360 units

If the business changes its production method, contribution will increase by 10% and fixed costs will increase by 5%.

What would be the effect on the break-even point?

- A** decrease by 16 units
- B** decrease by 18 units
- C** increase by 16 units
- D** increase by 18 units

30 What are possible limitations of a budgetary control system?

- 1 Budgets are based on estimates.
- 2 Budgets may lead to staff demotivation.
- 3 Budgets may prevent managers from being creative.

- A** 1 and 2 only **B** 1 and 3 only **C** 1, 2 and 3 **D** 2 and 3 only