

- 3 Hoi Poloi plc makes 3 types of filing cabinet, four-drawer, three-drawer and two-drawer. The business uses general purpose machines which are equally suitable to be used in the manufacture of all three products.

Data for the year ended 30 April 2005 was as follows:

	four drawer \$	three drawer \$	two drawer \$
Total sales	410 400	123 900	427 500
Total variable costs	304 000	88 500	285 000
Allocated fixed costs	98 000	48 000	135 000
Profit (Loss)	8 400	(12 600)	7 500

It had been proposed that the three-drawer cabinet be discontinued, as it was making a loss.

REQUIRED

- (a) State whether this proposal should have been agreed, giving your reasons.

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..... [5]

Sales and cost data for the year ended 30 April 2006 were as follows:

	four drawer	three drawer	two drawer
Sales in units	15 000	6 000	30 000
Raw materials	\$12	\$8	\$4
Variable overheads	\$3	\$2	\$2
Unit contribution	\$7	\$6	\$5
Machine hours per unit	0.5	0.5	0.4
Machine operators are paid \$10 per hour.			
Allocation of fixed costs	\$98 000	\$48 000	\$135 000

REQUIRED

(b) Calculate the selling price per unit for each product.

[3]

(c) Calculate for **each** product the break-even point in both units and sales value.

[6]

(d) Calculate for **each** product the profit or loss for the year ended 30 April 2006.

[6]

