

3 Break-even analysis has been described as a useful tool for the accountant.

REQUIRED

(a) (i) Define the break-even point.

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(ii) Define the margin of safety.

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The following figures have been extracted from Katerina’s books of account for the month of April 2010:

	\$	\$
Sales		460 000
Total variable costs	299 000	
Total fixed costs	<u>90 000</u>	<u>389 000</u>
Profit		<u><u>71 000</u></u>

REQUIRED

(b) Calculate Katerina's contribution as a percentage of sales (c/s ratio).

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(c) Calculate Katerina's break-even point.

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(d) Calculate the sales in dollars necessary to make a profit of \$100 000.

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