

- 3 Bould Limited manufactures two products, Wye and Zed. The forecast data for the year ending 30 June 2016 is as follows.

	Wye \$	Zed \$
Revenue from Wye – 70 000 units at \$12	840 000	
Revenue from Zed – 90 000 units at \$8		720 000
Materials	(259 000)	(180 000)
Labour	(233 000)	(372 000)
Overheads	<u>(190 000)</u>	<u>(207 000)</u>
Profit / (Loss)	<u>158 000</u>	<u>(39 000)</u>
Labour includes fixed costs	65 000	48 000
Overheads include fixed costs	36 000	45 000

## REQUIRED

- (a) Calculate the contribution per unit of Wye.

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**(b)** Calculate the contribution per unit of Zed.

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**(c)** Calculate the break-even point in units of Zed.

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**(d)** Calculate the break-even point in revenue of Zed.

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(e) Calculate the margin of safety in revenue for Zed.

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**Additional information**

The directors are concerned about the forecast loss of manufacturing Zed and are considering two proposals.

**Proposal 1**

Increase the selling price of Zed by \$1.20 per unit.  
The sales volume is expected to fall by 5% as a result.

**Proposal 2**

Stop manufacturing Zed.  
This will incur redundancy costs of \$20 000.  
There would be an increased additional budget facility for advertising Wye, which would increase sales volume of Wye by 40%.

## REQUIRED

- (f) Calculate the revised forecast profit of Bould Limited for the year ended 30 June 2016 if proposal 1 is adopted.

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- (g)** Calculate the revised forecast profit if proposal 2 is adopted.

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**(h)** Advise, with reasons, which proposal the directors should adopt.

Proposal .....

Evaluation .....

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