4 Ken produces components for mobile telephones. The following budgeted data is available for the year ending 31 December 2018:

	Per unit $
Selling price	5.25
Direct materials	0.50
Direct labour	0.75
Direct expenses	0.25
Break-even point	16 000 units

REQUIRED

(a) Calculate the budgeted fixed costs for the year ending 31 December 2018.

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Additional information

The budgeted profit for the year ending 31 December 2018 is $75 000.

REQUIRED

(b) Calculate for the year ending 31 December 2018:

   (i) budgeted number of units to be sold

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(ii) budgeted contribution to sales (C/S) ratio (to **two** decimal places)

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(c) State the meaning of C/S ratio.

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(d) (i) State the name given to the difference between the budgeted total sales units and the budgeted break-even sales units.

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(ii) Explain the significance of this difference to a business.

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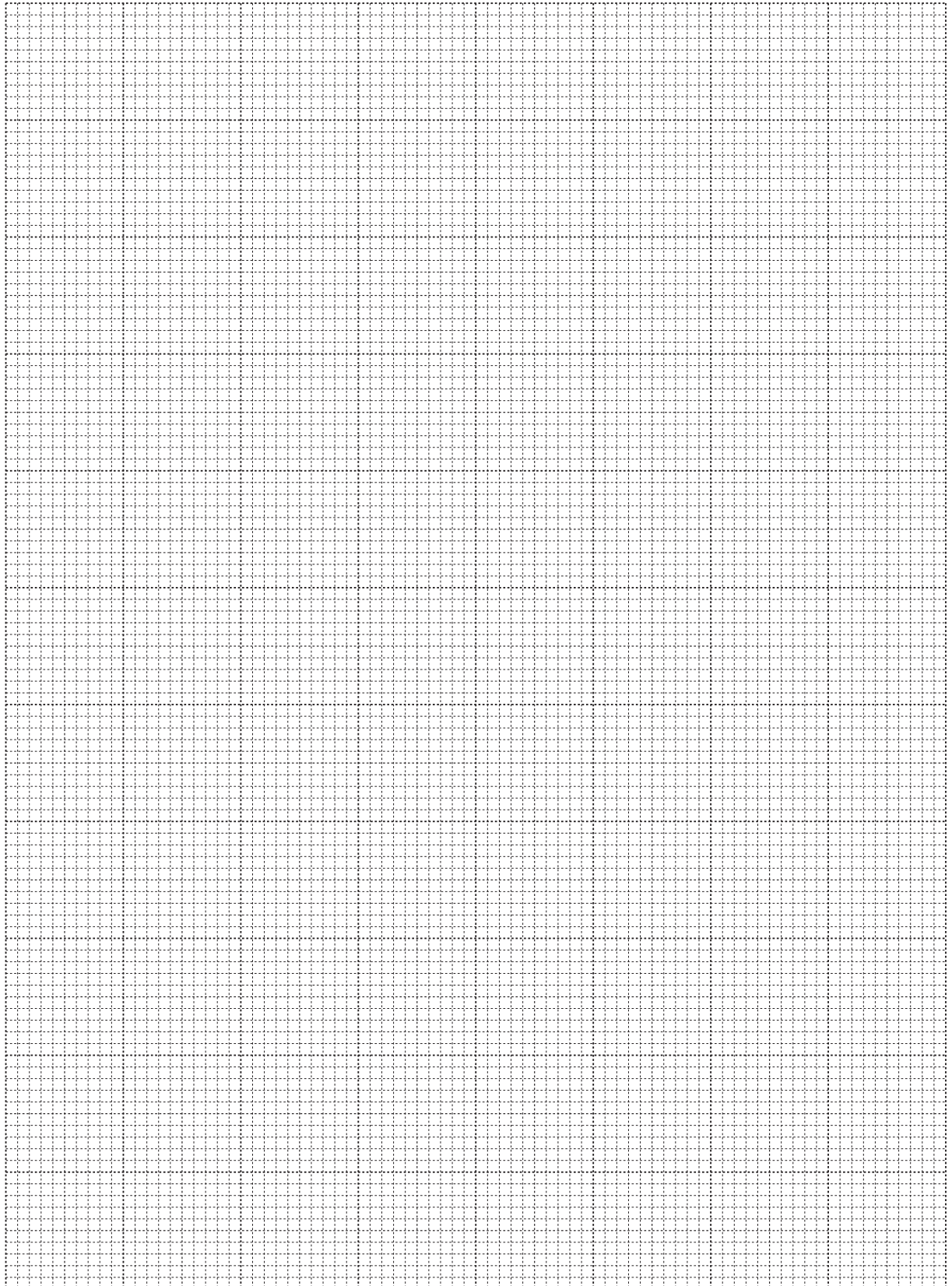.. [2]

(e) Prepare the break-even chart for Ken based on the relevant data. Clearly identify the area of profit, the area of loss and the break-even point.

[7]

(f) State **three** limitations of a break-even analysis.

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Additional information

Ken is considering increasing the selling price to $6.00 per unit from 1 January 2019. He expects that all costs will remain unchanged.

REQUIRED

(g) Calculate the number of units Ken must sell **each** month so the budgeted total contribution is the same as in 2018.

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(h) Advise Ken whether or not he should increase the selling price taking into account both financial and non-financial factors.

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