**3** A division of Hobbs Limited manufactures one product, the Wye. The directors had prepared the following forecast for the year ending 30 June 2016.

	\$000
Sales revenue	4400
Direct materials	1400
Direct labour	1000
Variable administration costs	400
Fixed administration costs	300
Other fixed overheads	1200

Budgeted sales for the year ending 30 June 2016 are expected to be 40 000 units.

## **REQUIRED**

(a)	Cal	culate for product Wye:	
	(i)	the contribution per unit	
			[2]
	(ii)	the budgeted break-even point in units	
			[2]
	(iii)	the margin of safety in units	
			۲4.

## **Additional information**

The directors have been warned that trading conditions are likely to change in the coming year and they plan to make the following changes to their forecasts.

- 1 Reduce the selling price of the product by 10%.
- 2 Budget for a 20% increase in sales.
- 3 Budget for a 3% increase in direct labour.
- 4 Budget for a 10% decrease in fixed costs.

## **REQUIRED**

(b)	Cal	culate for product Wye:		
	(i)	the revised contribution pe	r unit	
				[4]
	(ii)	the revised break-even poi	nt in units	
				[2
	(iii)	the revised margin of safet	y in units	
				[1]
Add	ditio	nal information		
And	other	division of Hobbs Limited a	also manufactures one product, the Exe.	
The	e follo	owing data is available for th	ne year ending 30 June 2016.	
Uni Buc	t var dgete	ing price iable costs ed fixed costs per annum ed sales	\$20 \$15 \$30 000 8000 units	
RE	QUIF	RED		
(c)	Cal	culate the monthly break-ev	ren point in <b>revenue.</b>	
				[2]

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(e)	Sta	ate <b>three</b> assumptions the accountant must make when preparing a break-even chart.
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	2	
	3	
		[3]
Add	ditic	onal information
The dec		mpany uses marginal costing in order to calculate its break-even point for its 'make or buy' ns.
RE	QUI	RED
(f)	Sta	ate <b>three</b> further reasons why a business might use a marginal costing system.
	1	
	2	
	3	
		[6]