3 Ken owns a manufacturing business which makes a single product. The following figures apply for all relevant periods.

Per unit	$
Selling price	35
Direct material	9
Direct labour	11
Fixed manufacturing overheads	5

Fixed manufacturing overheads are absorbed into product costs at pre-determined rates per unit of output. Under- or over-absorbed manufacturing overheads are transferred to profit and loss in the period in which they occur.

Normal production is 80 000 units per accounting period.

REQUIRED

(a) Calculate the break-even point in **both** units and dollars, based on the information above.

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.... [4]

The following information has been acquired for the last three accounting periods.

Three months ended	28 February Units	31 May Units	31 August Units
Sales	60 000	80 000	45 000
Stock at start of period	15 000	0	35 000
Stock at end of period	0	35 000	20 000

(b) Calculate the profit or loss in **each** period using marginal costing.

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(c) Calculate the profit or loss in **each** period using absorption costing.

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(d) Prepare a financial statement that reconciles your profit using marginal costing with your profit using absorption costing.

three months ended	28 February	31 May	31 August
	$	$	$
Profit using marginal costing			
Profit using absorption costing			

[6]