

3 Debussy currently produces one product for which the following information is available:

Product <b>D946</b>	\$ per unit
Selling price	6.00
Direct materials	2.50
Direct labour	1.40
Variable overheads	1.10
Total fixed costs	\$120 000 per annum
Sales per annum (units)	200 000

**REQUIRED**

(a) Using the data for the current product **D946** calculate the following:

(i) break – even point in units **and** sales value;

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(ii) profit for the year, showing the contribution per unit;

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(iii) margin of safety in units **and** as a percentage of sales.

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(b) Prepare the contribution to sales (profit/volume) graph, using the chart below, for the current product **D946**. Clearly show the profit at the current sales level.



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- (d) Based on your calculations advise Debussy whether or not to go ahead and produce all three products. Give reasons for your advice.

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