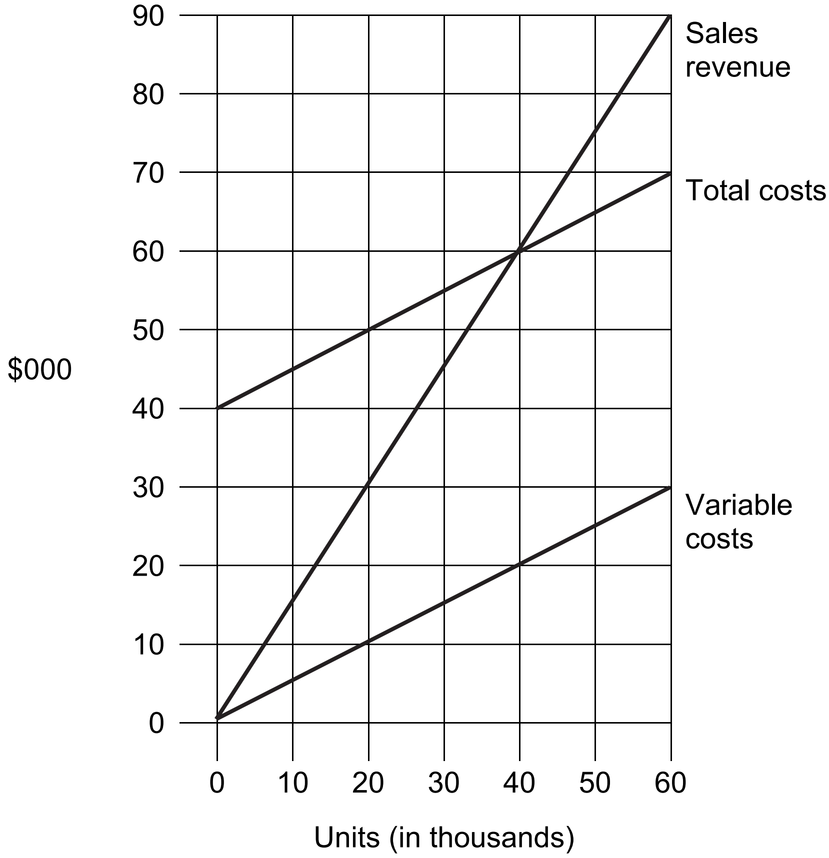
4 Ravi manufactures two products, Exe and Wye. Each product has allocated fixed costs. The following chart shows budgeted information for Exe.



REQUIRED

(a) Identify the following values **in dollars** from the chart:

(i) Break-even point

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.... [1]

(ii) Allocated fixed costs

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.... [1]

(iii) Margin of safety

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.... [1]

(iv) Profit

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.... [1]

Additional information

The following budgeted information is available for Wye:

Sales (units)		105 000
		$
Sales revenue		315 000
Direct labour	0.5 hours × $4 per hour	210 000
Direct materials	0.25 kilos × $2 per kilo	52 500
Allocated fixed costs		34 500

Ravi is concerned that the budgeted profit for Wye is not very high. He believes the following changes could increase the profit but will have no effect on sales volume.

1 Increase the selling price per unit by 5%.

2 skilled labour which will increase the cost per hour by 5%.

3 better quality material which will increase the cost per kilo by 2%.

4 Increase the advertising cost by $6000.

5 Offer the sales team a bonus of 2% of the sales revenue earned from all sales above 80 000 units.

REQUIRED

(b) Calculate, for product Wye **only**, the effect of these changes on the budgeted **total** profit for 105 000 units.

[10]

(c) Calculate, for product Wye **only**, the effect of these changes on the budgeted break-even point in dollars.

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.... [5]

(d) Calculate, for product Wye **only**, the effect of these changes on the budgeted margin of safety in units.

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.... [2]

(e) Recommend whether or not Ravi should proceed with these changes. Justify your answer.

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.... [5]

(f) State **four** advantages to a business of planning for the future.

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2 ....

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3 ....

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4 ....

.... [4]