Pro	duct	D946			\$ per unit		
	Selling price Direct materials Direct labour Variable overheads				6.00 2.50 1.40 1.10		
	Total fixed costs Sales per annum (units)			\$120 000   200 000	per annum		
REC	REQUIRED						
(a)	Using the data for the current product <b>D946</b> calculate the following:						
	(i)	break – even point in units		s <b>and</b> sales va	lue;		
		•••••					
		•••••					
							[6]
	(ii)	profit for	the year, showin	g the contributi	ion per unit;		
							[4]

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

3

<b>(</b> i	iii)	margin of safety in units and as a percentage of sales.
		[4]
		pare the contribution to sales (profit/volume) graph, using the chart below, for the
	curr	pare the contribution to sales (profit/volume) graph, using the chart below, for the ent product <b>D946</b> . Clearly show the profit at the current sales level.
	curr	pare the contribution to sales (profit/volume) graph, using the chart below, for the
	curr	pare the contribution to sales (profit/volume) graph, using the chart below, for the ent product <b>D946</b> . Clearly show the profit at the current sales level.
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	curr	pare the contribution to sales (profit/volume) graph, using the chart below, for the cent product <b>D946</b> . Clearly show the profit at the current sales level.
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	curr	pare the contribution to sales (profit/volume) graph, using the chart below, for the cent product <b>D946</b> . Clearly show the profit at the current sales level.

Debussy is considering extending its product range with two additional products.

The fixed costs would double to \$240 000 if any new product was introduced and would apply regardless of the number of new products introduced.

	<b>Product D947</b>	Product D948
	\$ per unit	\$ per unit
Selling price	9.00	13.00
Direct materials	6.60	7.00
Direct labour	2.40	2.10
Variable overheads	1.50	0.90
Sales per annum (units)	50 000	30 000

The demand for each product is estimated to be fixed at the levels stated, regardless of whether one or two additional products are introduced.

The existing workforce is currently operating at full capacity in the production of product

REQUIRED			
(c)	Debussy decides to extend the product range with <b>both</b> additional products.		
	Calculate the maximum profit Debussy could achieve in the next full year, if it were to produce products <b>D946</b> , <b>D947</b> and <b>D948</b> .		
	Show clearly the total contribution per product.		

......[10]

(d)	Based on your calculations advise Debussy whether or not to go ahead and produce all three products. Give reasons for your advice.
	[2]