

- 28** A business makes and sells three different product types, M, N and O. The following information is available.

|                    | product |         |         |
|--------------------|---------|---------|---------|
| per unit           | M<br>\$ | N<br>\$ | O<br>\$ |
| selling price      | 240     | 280     | 250     |
| direct material    | 110     | 120     | 90      |
| direct labour      | 65      | 90      | 100     |
| variable overheads | 20      | 30      | 25      |
| fixed overheads    | 50      | 30      | 18      |
| profit/(loss)      | (5)     | 10      | 17      |

Each product uses the same direct material, which is in short supply.

In which order of priority should the products be produced to maximise the profit?

- A** M → N → O
- B** M → O → N
- C** N → O → M
- D** O → N → M

- 29** A business has the following information.

|                             |            |
|-----------------------------|------------|
| break-even point            | 5000 units |
| variable costs per unit     | \$27       |
| contribution to sales ratio | 40%        |

What is the total fixed cost?

- A** \$54 000
- B** \$81 000
- C** \$90 000
- D** \$135 000

- 30** Why does a business prepare budgets?

- A** to assess their non-financial performance
- B** to control their expenditure