**Question 30**

The following profit statement relates to the current monthly production and sales of 2,000 units of Product A:

Sales Revenue £60,000)

Variable Costs (£40,000)

Fixed Costs (£15,000)

PROFIT £5,000)

Calculate the following for Product A:

1. Selling price per unit. **2**
2. Total variable cost per unit. **2**
3. Contribution per unit. **2**
4. The break-even point in units and sales value. **3**
5. The units required to be produced and sold to earn a profit of £10,000. **3**
6. The profit/loss earned if 3,200 units are sold. **3**
7. The margin of safety in terms of sales value, at the current level of monthly  
   production. **3**
8. If fixed costs were to fall by 10%, the selling price reduced by £3 and the variable costs per unit increased by £1, calculate the change in break-even point in terms of units. **6**
9. Outline two methods of paying labour. **2**
10. Name two examples of:
11. Fixed costs **2**
12. Limiting factors **2** **Total marks 30**

| **Question** | **Expected answer(s)** | **Max mark** | **Additional guidance** |
| --- | --- | --- | --- |
| **30 (a)** | £60,000/2,000 = £30 **(2)** | **2** | Award **1 mark** if arithmetic error (watch for consequentiality). |
| **30 (b)** | £40,000/2,000 = £20 **(2)** | **2** | Award **1 mark** if arithmetic error (watch for consequentiality). |
| **30 (c)** | £30 − £20 = £10 **(2)** | **2** | Award **1 mark** if arithmetic error (watch for consequentiality). |
| **30 (d)** | £15,000/£10 = 1,500 units **(2)**  1,500 x £30 = £45,000 sales value    **(1)** | **3** | The first two marks are all or nothing.  Award **1 mark** if arithmetic error (watch for consequentiality).  Accept 1,500 units on its own for **2 marks**. |
| **30 (e)** | (£15,000 + £10,000) = £25,000/£10 = 2,500 units   1. **(1)** **(1)**   **OR**  £10,000/£10 = 1,000 + 1,500 = 2,500 units   1. **(1) (1)** | **3** | Watch for consequentiality.  Maximum **2 marks** if answer incorrect, based on figures used.  Candidates may use a different method to get the correct answer. If answer incorrect, use professional judgement to allocate marks. |
| **30 (f)** | 3,200 − 1,500 = 1,700 units **(1)**  1,700 x £10 = £17,000   1. **(1)**   **OR**  3,200 x £10 = £32,000 − £15,000 = £17,000   1. **(1)**   **(1)** | **3** | Watch for consequentiality.  To gain first mark — candidate must use 3,200 units and the break-even point correctly.  Accept 1,700 units on its own for **2 marks.**  If arithmetic error where **2 marks** being awarded — only award **1 mark.**  Maximum **2 marks** if an answer is incorrect based on correct/consequential figures used.  Candidates may use a different method to get the correct answer. If answer incorrect, use professional judgement to allocate marks.  Assume profit, therefore candidates do not need to use the word profit in their answer. However, if they consequentially calculate a loss, there must be some indication of a loss to gain the final mark. |
| **30 (g)** | 2,000 – 1,500 = 500 units **(2)**  500 x £30 = £15,000 **(1)** | **3** | The first **2 marks** are all or nothing.  Award **1 mark** if arithmetic error (watch for consequentiality). |
| **30 (h)** | New fixed costs = £15,000 X 10% = £1,500 **(1)**  £15,000 − £1,500 = £13,500 **(1)**  New selling price = £27 **(1)**  New variable cost = £21 **(1)**  New break-even point = £13,500/£6 = 2,250 units **(1)**  Change = 2,250 − 1,500 = 750 units **(1)** | **6** | Accept £13,500 on its own for **2 marks.**  Accept contribution of £6 on its own for **2 marks.**  No need to indicate the word increase/decrease in units.  Candidates may use a different method to get the correct answer. If answer incorrect, use professional judgement to allocate marks. |
| **30 (i)** | An outline of any of the following:   * Time rate * Piece rate * Flat rate * Commission * Bonus | **2** | Any two outlined for **1 mark** each. |
| **30 (j) (i)** | * Rent * Salaries (not wages) * Heat and light * Electricity (not power) * Advertising   Accept any other reasonable answer | **2** | Any two named for **1 mark** each. |
| **30 (j) (ii)** | * Machine hours * Labour hours * Materials * Space   Accept any other reasonable answer. | **2** | Any two named for **1 mark** each. |