

**PART A: STRUCTURED QUESTIONS**

1. Define breakeven-point and margin of safety
2. Explain four assumptions in breakeven point

**PART B: PRACTICAL QUESTIONS**

1. Balance Corporation is considering the introduction of a new energy snack with the following price and cost characteristics:

Sales price	RM1 per unit
Variable cost	RM0.20 each
Fixed cost	RM400,000 per month

Required:

- a) Calculate the number of energy snack to break-even (that is, the point which there is neither profit nor loss).
  - b) How many units of energy snack will enable the company to make an operating profit of RM100,000?
  - c) Sketch a break-even point graph to show your answer in part (a).
  - d) Assume that the company plans to sell 700,000 units per month, what will be the profit?
2. Peter Chen Company makes and sells a single product, for which variable costs are as follows.

	Per unit (RM)
Direct materials	10
Direct labor	8

Production overheads	6
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The sales price is RM30 per unit, and fixed costs per annum are RM68,000. The company wishes to make a 5% profit on total sales.

Required:

Determine the volume (output) of sales required to achieve this profit.

3. The launch of a new product is being considered and four possible output levels which are depending on consumers' reaction. The variable costs associated with these levels are shown below:

Consumers' reaction	Adverse	Average	Good	Excellent
Variable costs (RM000)	20	30	45	70

There are fixed costs of RM36,000 and the contribution margin ratio is expected to be 60%.

You are required to calculate:

- a) The profit or loss at each of the four levels.
  - b) The break-even point in term of total sales value.
  - c) The level of sales dollar at which a profit of RM10,000 would be made.
4. The following budgeted profit statement is related to 2 companies belonging to the same group and manufacturing and selling the same product.

	Company A (RM)		Company B (RM)	
Sales (RM1/unit)		75,000		75,000
Variable costs	22,500		45,000	
Fixed costs	32,500		10,000	
		55,000		55,000
		20,000		20,000

You are required to calculate for the Company A and Company B:

- a) The break-even point (in term of total sales value).
- b) The profit, if sales are 20% above the break-even point.
- c) Assumed the sales price per unit falls to RM0.50 and the sales volume at 90,000 units (assuming no change in cost structure), which company provide more profit?