

PART A: STRUCTURE QUESTIONS

Question 1

ROCE = 20%; Total capital = £1M; Required profit = £200,000

An extract from Kryptomatic's budget for next year:

	£000
Direct materials	150
Direct labour	<u>50</u>
Prime cost	200
Variable production overheads	25
Fixed production overheads	<u>75</u>
Manufacturing cost	300
Administration overheads	120
Marketing overheads	<u>180</u>
Total cost	600
Profit	<u>200</u>
Total revenue	<u>800</u>

Compute profit margin and selling price as stated as follows:

- a) Prime cost
- b) Manufacturing cost
- c) Total product

Question 2

ROCE = 15%; Total capital = £1M;

An extract from Planet Ltd's budget for next year:

	<i>£000</i>
Direct materials	100
Direct labour	<u>80</u>
Prime cost	180
Variable production overheads	20
Fixed production overheads	<u>100</u>
Manufacturing cost	300
Administration overheads	150
Marketing overheads	<u>250</u>
Total cost	700

Calculate the percentage plus-margin using (a) prime, (b) manufacturing and (c) full cost.