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| **Accounting Grade 12**  **Worked example (Extracted from 2020 Examination Guidelines)**  **BB BUCKETS**  The business produces plastic buckets.  You are provided with information for the financial year ended 29 February 20.9.  **INFORMATION**:   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **A.** | **Production, sales and profit**:   * 10 000 buckets were produced during the 20.9 financial year * The selling price per bucket is R93,00 * Net profit for the 20.9 financial year per the Income Statement is R280 000. | | | | |  |  |  |  |  | | **B.** | **Cost categories** | **Total** | **Per unit** |  | |  | **VARIABLE COSTS** | **R430 000** | **R43,00** |  | |  | Direct materials | R240 000 | R24,00 |  | |  | Direct labour | R130 000 | R13,00 |  | |  | Selling & distribution | R60 000 | R6,00 |  | |  | **FIXED COSTS** | **R220 000** | **R22,00** |  | |  | Factory overheads | R180 000 | R18,00 |  | |  | Administration | R40 000 | R4,00 |  | |  |  |  |  |  | |  |  | **R650 000** | **R65,00** |  |   **REQUIRED:**   |  |  | | --- | --- | | (a) | Calculate the break-even point. | |  |  | | (b) | Provide a calculation to show that the net profit of R280 000 is correct. | |  |  | | (c) | Calculate:   * The increase in profit if an extra 600 buckets are produced. * The total profit that will be earned if an additional 600 buckets are produced. | |  |  | | (d) | Calculate:   * The number of additional units that need to be produced to increase the net profit by R75 000. * The total number of units that need to be produced to increase the net profit by R75 000. | |

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| **SOLUTION**:   |  |  | | --- | --- | | **(a)** | **Calculate the break-even point:**  R220 000 = R220 000 = 4 400 units  R93,00 – R43,00 R50,00 | |  |  | | **(b)** | **Provide a calculation to show that the net profit of R280 000 is correct:**  (10 000 x R93,00) – R650 000 = R280 000  See (a) above  ***OR***: (10 000 – 4 400) X R50 = R280 000 | |  |  | | **(c)** | **Calculate the increase in profit if an additional 600 buckets are produced:**  See (a) above  600 units X R50 = R30 000  **Calculate the total profit that will be earned if an additional 600 buckets are produced:**  See above  R280 000 + R30 000 = R310 000 | |  |  | | **(d)** | **Calculate the number of additional units that need to be produced to increase the net profit by R75 000:**  R75 000 = 1 500 units  R50  See (a) above  **Calculate the total number of units that need to be produced to increase the net profit by R75 000:**  10 000 + 1 500 = 11 500 units | |  |  | |