

a) Current Profit

Selling Price

VC

Contribution

Number of units

Total contribution

Fixed Costs

£

45.00

38.00

7.00

(add up the variable cost of producing the course)

35,000

£

245,000

(50,000)

195,000

number of units
× contribution

(35,000 × 7)

Increase in Costs

Direct materials (12.50 × 20%) 15.00

Labour (20.50 × 18.88%) 24.37

Direct Costs (4.00 × 58%) 6.32

Variable (1.00 × 27%) 1.27

Contribution 46.96

Fixed Costs

£50,000 to £53,000

↳ to calculate

Fixed costs × % increase

50,000 × 6% = 3,000

↑ 50,000 + 3,000

= £53,000

$$\frac{\text{Units}}{35,000} = \frac{53,000 + 50,000}{C (35,000)} = 103,000 / 35,000 = C = 2.94 + 46.96$$

C 2.94
VC 46.96
Selling Price 49.90

(45 × 17.5%
= 7.88
= 45 + 7.88
= £52.88)

Selling Price if a 17.5% increase is applied £52.88

NB. To calculate the increase in costs → original variable cost of producing × % increase given in the question