

a)

Current Profit

Selling Price
Variable Costs.
Contribution

£

22.50.

18.00

4.50

(add up the variable
cost of producing
course)

Number of units

20,000

£

no. of units x Contribution
(20,000 x 4.50)

Total Contribution
Fixed Costs.

90,000

(40,000)

Profit

50,000

Increase in Costs

Direct materials

9.00 ✓

Labour

10.50 ✓

Direct Costs

1.50 ✓

Variable

0.75 ✓

21.75

Fixed Costs

£40,000 to £42,000

→ to calculate

Fixed Costs x % increase

40,000 x 5% = 2,000

← 40,000 + 2,000 ↑

= 42,000

$$\frac{\text{units}}{20,000} = \frac{42,000 + 40,000}{C (20,000)} = 82,000 / 20,000 = \frac{C}{4.10} + 21.75$$

$$C = 4.10$$

$$VC = 21.75$$

$$\text{Selling Price} = £25.85 \checkmark$$

To calculate the increase in costs → original variable cost of producing course x % increase given in the question