

**National Diploma Plant/Animal**

**Farm Finance**

**Handout 4A**

**Drags (PTY) Ltd Break-Even Analysis**

Drags (Pty) Ltd is a company manufacturing door handles in the Bloemfontein area. Management is currently planning on opening a new factory in Gauteng.

The budget figures for year one is as follows:

Estimated selling price per door handle 10

Estimated number of door handles manufactured 200 000

Advertising 20 000

Depreciation on plant and machinery 15 000

Direct labour 744 000

Direct material 435 000

Electricity – units 24 000

Electricity - rent of meters 6 000

Rent – Building 120 000

Wages of cleaners 24 000

Railage 65 000

Salaries of factory foreman 109 000

Telephone – units 25 000

Telephone – Rent 6 000

Water – units 7 000

**TOTAL COST 1600 000**

**Required**

1. Arrange the cost between fixed and variable columns in the table provided to you.
2. Calculate the marginal income ratio (gross profit)
3. Calculate the break-even point in R and in units.

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| Cost | Variable | Fixed |
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**Calculate the marginal income ratio (gross profit)**

**Calculate the break-even point in R and in units.**