**Question 6**

1. The following selected data were taken from the accounting records of Shaking Industrial Manufacturing:



July's costs consist of machine supplies (RM170,000), rent (RM24,000), and plant maintenance (RM1,080,000). These costs exhibit the following respective behaviour: variable, fixed, and semi-variable.

**Required:**

i) Determine the cost for machine supplies and rent for May.

ii) By using the high-low method, analyse Shaking's plant maintenance cost and calculate the monthly fixed portion and the variable cost per machine hour.

iii) Assume that present cost behaviour patterns continue into future months. Estimate the total amount of manufacturing overhead the company can expect in September if 56,000 machine hours are worked.

b. Magic Water Company manufactures water filter for housing use. Owner of Magic Water, Puan Kalsom, believes that an aggressive campaign is needed next year, due to increased competition in local market. Presented below is the data for year 2010, for use in next year’s advertising campaign.



Puan Kalsom has set the sales target for the year 2011 at a level of RM1,100,000 (22,000 filters).

**Required:**

i) What is the break-even point in units for 2010?

ii) Puan Kalsom believes that to attain the sales target in the year 2011, the company must incur an additional selling expense of RM20,000 for advertising, with all other costs remaining constant. What will be the break-even point in dollar sales for 2011 if the company spends the additional RM20,000?

iii) “Break-even analysis is of limited use to management because a company cannot survive by just breaking even.”

Do you agree? Explain.