**Cost Volume profit**

Orange Hot Berhad produces and sells an average of 200,000 bottles of Orange Hot Chilli Sauce each month. The following costs were available:

RM

Selling price per bottle 2.00

Variable costs per bottle:

Materials and labour 0.80

Selling and distribution 0.40

Fixed monthly costs:

Rental of building 15,000

Depreciation of machinery 5,000

Selling and distribution 25,000

Other fixed costs 20,000

**Required:**

As the assistant management accountant at Orange Hot Berhad, prepare the following: -

1. Calculate the monthly break-even points of Orange Hot Chilli Sauce (in units and in value)
2. Determine the margin of safety (in units and in value)
3. Calculate the number of bottles Orange Hot Chilli Sauce that would have to be sold if the company’s targeted net profit is RM30,000 per month
4. Calculate the new break-even point (in units and in value) if the rental of building were increased by RM2,500 per month
5. Calculate the company’s net profit if 300,000 bottles were sold and the salesmen are paid a RM0.10 bonus commission for each bottle sold above the break-even point in part (iv)
6. Discuss three (3) assumptions upon which the cost-volume-profit analysis is made