When Opening Stock is Given.

QUESTION

A company has an opening stock of 15,000 units of output. The production planned for the current period is 65,000 units and expected sales for the current period amount to 75,000 units. The selling price per unit of output is Rs.50. Variable cost per unit is expected to be Rs. 25 per unit while it was only Rs. 20 per unit during the previous period. What is the Break Even volume for the current period if the total fixed costs for the current period is Rs. 14,30,000? Assume that the first In first out system is followed.

SOLUTION:-Statement of Break Even Point (FIFO)

Nature	Quantity	Contribution per unit	Total contribution
Opening stock	15,000	30/-	4,50,000
Current production	39,200	25/-	9,80,000 (B.F.)
Break event point	54,200 unit	Fixed Cost	14,30,000

→ Hence, Under FIFO System is covered by selling of 54,200 units. Therefore. The sale of 54,200 units is the break-even point.

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