

MDCL Workbook 3rd edition 2018
Chapter 10 Activity 4(d)

The correct answer is £2,000

Workings

	A	B	C	Total
Contribution per unit	£50	£40	£30	
Production units	30	50	50	
Total contribution	£1,500	£2,000	£1,500	£5,000
Less fixed cost*				£3,000
Profit				£2,000

Regardless of the number of units produced. This means that we need to use the fixed cost per unit with the demand level (rather than the production level) to calculate the total fixed costs. Fixed costs = $(£20 \times 50) + (£20 \times 50) + (£20 \times 50) = £3,000$.