Solutions

2.1

- Closing = 20% × 1,100 = 220; opening = 20% × 1,200 = 240.
- Production = 1,200 + 220 − 240.
- = 1,180 units.

2.2

- July sales £= 1,200 × 18 = £21,600; June = £18,000.
- 0.75 × 21,600 + 0.25 × 18,000.
- = £20,700.

2.3

- 1,180 × 4.
- = £4,720.

2.4

- Closing = 20% × 700 = 140; opening 220.
- Honest production = 700 + 140 − 220 = 620 units.
- The bonus invites producing toward 1,180 anyway: ~560 extra units park fixed cost in inventory.
- Reported profit rises while cash falls – the absorption trap meets the target (unit 6.3).

2.5

- Different measure: receipts/payments vs revenue/expense.
- Different timing: the 25% in transit and payment lags.