1. Austin Manufacturing had the following operating data for the year just ended.

Selling price per unit	$60 per unit
Variable expense per unit	$22 per unit
Fixed expense	$504,000

Management plans to improve the quality of its only product by: (1) replacing a component that costs $3.50 with a higher-grade component that costs $5.50; and (2) renting a packing machine for $18,000 a year. If the desired target profit is $288,000, the company must sell:

A) 19,300 units.
B) 21,316 units.
C) 22,500 units.
D) 20,842 units.

Use the following to answer questions 2-3:

Paxton Corp has provided the following data concerning its operations last month:

Sales	$400,000
Variable expenses	250,000
Fixed expenses	100,000

Paxton Corp is a retailing organization.

2. The break-even sales in dollars is (round to the nearest dollar):

A) $148,148.
B) $266,667.
C) $333,333.
D) $350,000.

3. The contribution margin ratio is:

A) 12.5%.
B) 33.0%.
C) 25.0%.
D) 37.5%.

4. Kern Company prepared the following tentative budget for next year:

Sales	$500,000
Selling price	$5 per unit
Variable expenses	$300,000
Fixed expenses	$150,000

The sales manager argues that the unit selling price could be increased by 20%, with an expected volume decrease of only 10%. If Kern incorporates these changes in its budget, what should be the budgeted net income?

A) $66,000
B) $90,000
C) $120,000
D) $145,000

5. North Company sells a single product. The product has a selling price of $30 per unit and variable expenses of 70% of sales. If the company's fixed expenses total $60,000 per year, then it will have a break-even of:

A) $60,000.
B) $85,714.
C) $42,000.
D) $200,000.

6. The following is last month's contribution format income statement:

Sales (10,000 units)	$1,200,000
Less variable expenses	800,000
Contribution margin	400,000
Less fixed expenses	240,000
Net income	$ 160,000
	aaaaaaaa

What is the company's break-even sales in units?

A) 0 units
B) 12,000 units
C) 6,000 units
D) 8,000 units

7. The following data pertain to Wistron Company's two products:

	Product X	Product Y
Sales in dollars	$100,000	$80,000
Contribution margin ratio	48%	30%

If fixed expenses for the company as a whole are $60,000 and the product mix is constant, the overall break-even point for the company would be:

A) $150,000.
B) $153,846.
C) $100,000.
D) $132,000.

8. Dodero Company produces a single product which sells for $100 per unit. Fixed expenses total $12,000 per month, and variable expenses are $60 per unit. The company's sales average 500 units per month. Which of the following statements is correct?

A) The company's break-even point is $12,000 per month.
B) The fixed expenses remain constant at $24 per unit for any activity level within the relevant range.
C) The company's contribution margin ratio is 40%.
D) Responses a, b, and c are all correct.

9. Carver Company produces a product which sells for $30. Variable manufacturing costs are $15 per unit. Fixed manufacturing costs are $5 per unit based on the current level of activity, and fixed selling and administrative costs are $4 per unit. A selling commission of 10% of the selling price is paid on each unit sold. The contribution margin per unit is:

A) $ 3.
B) $15.
C) $ 8.
D) $12.

10. If the fixed expenses of a product increase while variable expenses and the selling price remain constant, what will happen to the total contribution margin and the break-even point?

	Contribution margin	Break-even point
A)	Increase	Decrease
B)	Decrease	Increase
C)	Unchanged	Increase
D)	Unchanged	Unchanged

Answer Key -- Quiz Chapter 6 Fall 1999 – version 1

1. C 22,500 units.
   Format: Multiple Choice
   Difficulty: Medium
   Type: CMA adapted
   Origin: Chapter 6, Cost-Volume-Profit 68

2. B $266,667.
   Format: Multiple Choice
   Difficulty: Medium
   Type: *(None)*
   Origin: Chapter 6, Cost-Volume-Profit 106
   Refer To: Ref. 6-7

3. D 37.5%.
   Format: Multiple Choice
   Difficulty: Medium
   Type: *(None)*
   Origin: Chapter 6, Cost-Volume-Profit 105
   Refer To: Ref. 6-7

4. C $120,000
   Format: Multiple Choice
   Difficulty: Medium
   Type: CPA adapted
   Origin: Chapter 6, Cost-Volume-Profit 69

5. D $200,000.
   Format: Multiple Choice
   Difficulty: Easy
   Type: *(None)*
   Origin: Chapter 6, Cost-Volume-Profit 41

6. C 6,000 units
   Format: Multiple Choice
   Difficulty: Easy
   Type: *(None)*
   Origin: Chapter 6, Cost-Volume-Profit 61

7. A $150,000.
   Format: Multiple Choice
   Difficulty: Medium
   Type: *(None)*
   Origin: Chapter 6, Cost-Volume-Profit 57

8. C The company's contribution margin ratio is 40%.
Format: Multiple Choice
Difficulty: Medium
Type: *(None)*
Origin: Chapter 6, Cost-Volume-Profit 40

9. D $12.
Format: Multiple Choice
Difficulty: Easy
Type: *(None)*
Origin: Chapter 6, Cost-Volume-Profit 52

10. C Unchanged Increase
Format: Multiple Choice
Difficulty: Medium
Type: CPA adapted
Origin: Chapter 6, Cost-Volume-Profit 20