Ch 19

Which of the following is *not* a mixed cost?
Depreciation

Cost behavior analysis is a study of how a firm's costs
Respond to changes in the level of business activity

Why is identification of a relevant range important?
Cost behavior outside of the relevant range is not linear, chich distorts CVP analysis

The margin of safety is the difference between sales at breakeven and sales at a determined activity level **T**

The break-even point is where total sales equal total variable costs. **F**

Vintage Wines has fixed costs of $15,000 per year. Its warehouse sells wine with variable costs of 80% of its unit selling price. How much in sales does Vintage need to break even per year? **$75,000**

The relevant range of activity is the activity level where the firm will earn income. **F**

Montoya Manufacturing has fixed costs of $2,500,000 and variable costs are 40% of sales. What are the required sales if Montoya desires net income of $250,000? **$4,583,333**

Pascal, Inc. is planning to sell 800,000 units for $1.50 per unit. The contribution margin ratio is 20%. If Pascal will break even at this level of sales, what are the fixed costs? **$240,000**

At the break-even point, **contribution margin equals total fixed costs.**

Portman Company's activity for the first three months of 2013 are as follows:

	Machine Hours	Electrical Cost
January	2,100	$3,600
February	2,600	$4,350
March	2,900	$4,800

Using the high-low method, how much is the cost per machine hour?
$1.50

At the high level of activity in November, 7,000 machine hours were run and power costs were $16,000. In April, a month of low activity, 2,000 machine hours were run and power costs amounted to $8,000. Using the high-low method, the estimated fixed cost element of power costs is **$4,800**

Boswell company reported the following information for the current year: Sales (50,000 units) $1,000,000, direct materials and direct labor $500,000, other variable costs $50,000, and fixed costs $270,000. What is Boswell's contribution margin ratio? **45%**

Murphy Company produces flash drives for computers, which it sells for $20 each. Each flash drive costs $8 of variable costs to make. During April, 700 drives were sold. Fixed costs for April were $4 per unit for a total of $2,800 for the month. How much does Murphy's operating income increase for each $1,000 increase in revenue per month? **$600**

Wilton Co. reported the following results from the sale of 5,000 hammers in May: sales $200,000, variable costs $120,000, fixed costs $60,000, and net income $20,000. Assume that Wilton increases the selling price of hammers by 10% on June 1. How many hammers will have to be sold in June to maintain the same level of net income? **4,000**

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