VARIABLE COSTING INCOME STATEMENT

SALES REVENUE	XX	Sold units x Selling Price
LESS: VARIABLE COST	XX	Sold units x Variable Cost per unit.
CONTRIBUTION MARGIN	XX	Sales Revenue – Variable Cost
LESS: FIXED COST	XX	1. Produced units x Fixed Manufacturing cost per unit. 2. Produced units x Fixed Selling, General, and Administrative per unit. The total of 1 & 2 is the Total Fixed costs.
OPERATING PROFIT (LOSS)	XX	Contribution Margin – Fixed Costs

In the previous Comprehensive Illustration, Units produced is the same with Units sold. In this next Comprehensive Illustration, what if Units produced is not equal to Units sold.

Comprehensive Illustration #2:

During December 2023, ABC, Inc. produced 2,000 units and sold 1,000 units of Product A with selling price of $50.00 per unit and costs as follows:

Materials	$ 12,000
Labor	6,600
Total Manufacturing Overhead (50% Variable)	8,000
Total Manufacturing Costs	26,600

Selling, General, and Administrative costs incurred during the month were:

Variable SGA Expenses	$ 6,000
Fixed SGA Expenses	4,000
	10,000

What is the product cost for Absorption Costing?
Answer: 24.6

What is the product cost for Variable Costing?
Answer: 22.6

What is the Variable Cost per unit for purposes of computing Contribution Margin?
Answer: 28.6

What is the Operating income under Absorption Costing?
Answer: $ 15,400

What is the Operating income under Variable Costing?
Answer: $ 13,400