The term used for the relative proportion in which a company's products are sold is:

Your answer is correct.

- profit
- ✓ sales mix
- break-even
- sales price

Challenge

OK

The correct answer is shown.

In order to convert the margin of safety from dollar form to percentage form, the margin of safety in dollars must be divided by the budgeted (or actual) sales in dollars. *(Enter only one word per blank.)*

✔ Your answer is correct.

Challenge

OK

The correct answer is shown.

The break-even point is the level of sales at which the profit equals zero. *(Enter only one word per blank.)*

✔ Your answer is correct.

Challenge

OK

The contribution margin income statement allows users to easily judge the impact of a change in _____ on profit. (Check all that apply.)

✔ Your answer is correct.

- ✔ variable cost per unit
- organizational structure
- ✔ selling price per unit
- ✔ volume of sales
- ✔ total fixed costs

Challenge

OK

The equation to calculate sales dollars on a per unit basis is:

✔ Your answer is correct.

- ✔ total sales divided by units
- units divided by total sales
- total sales divided by fixed costs
- net income divided by total sales

Challenge

OK

The correct answer is shown.

To calculate the degree of operating leverage, divide contribution margin by net operating income.

✔ Your answer is correct.

Challenge

OK

Operating leverage is a measure of how sensitive _____ is to a given percentage change in sales dollars.

✔ Your answer is correct.

- total gross margin
- total variable expense
- ✔ net operating income
- selling price per unit

Challenge

OK

The correct answer is shown.

Solving for the sales level needed to attain a target profit of $0 is the same process as solving for the sales level needed to break even.

✔ Your answer is correct.

Challenge

OK

The correct answer is shown.

The break-even point indicates the sales volume needed to make contribution margin equal to fixed expenses. *(Enter only one word per blank.)*

✔ Your answer is correct.

Challenge

OK

Seth's Speakers has actual sales of $1,630,000. Before the beginning of the year, the company determined that its break-even point was $935,000. What is Seth's Speakers' margin of safety in dollars?

✔ Your answer is correct.

- ✔ $695,000
- $2,565,000
- $1.74
- $0.57

Challenge

OK

The correct answer is shown.

Total revenue equals the selling price per unit multiplied by the quantity sold. *(Enter only one word per blank.)*

✔ Your answer is correct.

Challenge

OK

Water World sells wake boards and water skis and pays commissions to their salespeople based on each product's sales price. Although the wake boards sell for a higher price than the skis, the skis have a higher contribution margin per unit than the wake boards. Which of the following are *true* in reference to sales commissions? (Check all that apply.)

✔ Your answer is correct.

- The company should not pay sales commissions on these products.
- Sales commissions based on sales price would be ideal to use under these circumstances.
- ✔ Salespersons will be motivated to sell more wake boards as they will create a higher commission per unit for them.
- ✔ The company would rather see more skis sold as it creates the higher profit per unit for the company.

Challenge

OK

Pool Time reported sales of $1,452,000 last summer. The company incurred variable expenses of $958,320 and fixed expenses of $354,000. Calculate the contribution margin ratio.

✔ Your answer is correct.

66%

$493,680

✔ 34%

$139,680

Challenge

OK

If a company has sales of $100,000, variable expenses of $60,000, and fixed expenses of $50,000 the company has a:

✔ Your answer is correct.

- $110,000 profit
- $90,000 profit
- $10,000 profit
- ✔ $10,000 loss

Challenge

OK

Chrissy's Cupcakes has $832,000 in sales and $265,000 in fixed expenses. If the company's contribution margin ratio is 72%, what is its profit?

✔ Your answer is correct.

$(32,040)

$567,000

✔ $334,040

Profit cannot be calculated with the information provided.

Challenge

OK

The correct answer is shown.

Profits can be estimated for any sales volume above the break-even point by multiplying the number of units sold above the break-even point by the unit contribution margin.

✔ Your answer is correct.

Challenge

OK

The correct answer is shown.

The margin of safety in dollars is the excess of the budgeted (or actual) sales dollars over the break-even sales dollars *(Enter only one word per blank).*

✔ Your answer is correct.

Challenge

OK

The correct answer is shown.

Variable costs per unit is calculated by dividing total variable costs by total units. *(Enter only one word per blank)*

✔ Your answer is correct.

Challenge

OK

Once the break-even point has been reached, the sale of an additional unit will lead to an increase in contribution margin that is _____ the increase in net operating income.

✔ Your answer is correct.

greater than

lesser than

✔ equal to

Challenge

OK

The correct answer is shown.

The term "cost structure" refers to the relative proportion of variable and fixed costs in an organization. *(Enter only one word per blank.)*

✔ Your answer is correct.

Challenge

OK

Which of the following statements apply to companies that sell multiple products? (Check all that apply.)

Your answer is correct.

- ✓ The contribution margin ratio approach to target profit analysis would likely be the approach which is more easily applied to such companies.
- The contribution margin per unit approach to target profit analysis would likely be the approach which is more easily applied to such companies.
- ✓ Multiple products will more than likely have different contribution margin ratios for each individual product.
- ✓ Profits earned will more than likely depend on the sales mix of products.

Challenge

OK

The Cutting Edge sells ice skates. Total sales are $845,000, total variable expenses are $245,050 and total fixed expenses are $302,000. Calculate the variable expense ratio.

Your answer is correct.

- ✔ 29%
- 81%
- 100%
- 35%

Challenge

OK

Daisy's Dolls sold 30,000 dolls this year at $40 each. The company incurred $250,000 of fixed expense. Each doll's variable cost is $19. What is Daisy's Dolls' profit?

✔ Your answer is correct.

- ✔ $380,000
- $1,520,000
- $(249,979)
- $630,000

Challenge

OK

When using incremental analysis, which of the following items are considered when making a decision? (Check all that apply.)

✔ Your answer is correct.

- The volume that would occur regardless of the decision
- ✔ The change in volume resulting specifically from the decision
- ✔ The change in sales dollars resulting specifically from the decision
- ✔ The change in cost resulting specifically from the decision
- The complete old income statement in comparison to the complete new income statement

Challenge

OK

The single point where the total revenue line crosses the total expense line on the CVP graph indicates: (Check all that apply.)

Your answer is correct.

- [x] the break-even point
- [ ] profit is less than zero
- [ ] profit is greater than zero
- [x] profit equals zero

Challenge

OK

The profit graph allows users to easily identify: (Check all that apply.)

Your answer is correct.

- [x] the sales volume required to reach the break-even point.
- [ ] total expenses incurred at any given sales volume.
- [x] the profit at any given sales volume.

Challenge

OK

The correct answer is shown.

It is useful to represent sales, variable cost, and the contribution margin as percentages, as well as on a per unit basis, in order to easily apply those values to any sales volume. *(Enter only one word per blank.)*

✔ Your answer is correct.

Challenge

OK

The correct answer is shown.

To estimate the effect on profits for a planned increase in sales, multiply the increase in units sold by the unit contribution margin. *(Enter only one word per blank.)*

✔ Your answer is correct.

Challenge

OK

A company currently has sales of $700,000 and a contribution margin ratio of 45%. As a result of increasing advertising expense by $8,000, the company expects to increase sales to $735,000. Calculate the impact this change would have on net operating income.

✔ Your answer is correct.

- Net operating income would increase by $15,750.
- ✔ Net operating income would increase by $7,750.
- Net operating income would decrease by $8,000.
- Net operating income would decrease by $12,250.

Challenge

OK

The correct answer is shown.

Assuming the sales price remains constant, an increase in the variable cost per unit will decrease the contribution margin per unit.

✔ Your answer is correct.

Challenge

OK

Which of the following equations can be used to calculate the impact on net income for a change in sales dollars using the contribution margin ratio?

✔ Your answer is correct.

- Change in total contribution margin x Contribution margin ratio
- ✔ Change in sales dollars x Contribution margin ratio
- Variable expense per unit - Contribution margin ratio
- Change in sales dollars per unit - Contribution margin ratio

Challenge

OK

The correct answer is shown.

When constructing a CVP graph, the vertical (y) axis represents dollars. *(Enter only one word per blank)*

✔ Your answer is correct.

Challenge

OK

The break-even point calculation is affected by which of the following items? (Check all that apply.)

✔ Your answer is correct.

- ✔ Selling price per unit
- ✔ Variable cost per unit
- ✔ Total fixed cost
- Number of batches produced
- ✔ Sales mix

Challenge

OK

To prepare a CVP graph, lines must be drawn representing:

Your answer is correct.

- total revenue, total expense, and profit
- total revenue, break-even point, and profit
- ✓ total revenue, total expense, and total fixed expense
- total revenue, total variable expenses, and total fixed expense

Challenge

OK

Multiplying unit selling price times the number of units required to break-even is one way to calculate:

Your answer is correct.

- operating leverage
- net operating income
- contribution margin
- ✓ break-even sales dollars

Challenge

OK

The break-even point can be affected by which of the following? (Check all that apply.)

Your answer is correct.

- Net operating income
- [x] Sales mix
- [x] Contribution margin per unit
- [x] Total fixed costs

Challenge

OK

The correct answer is shown.

If operating leverage is high, a small percentage increase in sales can produce a much larger percentage increase in net operating income.

✔ Your answer is correct.

Challenge

OK

The correct answer is shown.

When constructing a CVP graph, the horizontal (x) axis represents unit volume. *(Enter only one word per blank.)*

✔ Your answer is correct.

Challenge

OK

The correct answer is shown.

On a profit graph, the sales volume where profit is zero is the break-even point. *(Enter only one word per blank.)*

✔ Your answer is correct.

Challenge

OK

Tasty Tangerine is currently selling 50,000 boxes of tangerines for $25 per box. Variable cost per box is $17 and fixed costs total $260,000. A plan is being considered to increase the visual appeal of its packaging and reduce the selling price. The design change would result in a $60,000 increase to fixed costs. Management believes the design change along with a $2 reduction in the selling price per box would increase sales volume by 24,000 boxes. Which of the following is *true*?

✔ Your answer is correct.

Net operating income would increase by $44,000.

Net operating income would increase by $132,000.

✔ Net operating income would decrease by $16,000.

If the change is implemented, total contribution margin would increase by $44,000 ((74,000 boxes x $6) - (50,000 boxes x $8)). Additional contribution margin of $44,000 - $60,000 in new fixed costs = a net operating income decrease of $16,000.

Net operating income would decrease by $104,000.

Challenge

OK

If a company with excess capacity has an opportunity to take an order in addition to its regular sales, the sales price per unit must cover which of the following costs? (Check all that apply.)

✔ Your answer is correct.

- ✔ Variable manufacturing cost per unit
- ✔ Any cost incurred by accepting the order
- Fixed costs per unit for units included in the order
- Total fixed costs

Challenge

OK

The correct answer is shown.

The CVP graph evaluates CVP relationships over a wide range of activity levels. *(Enter only one word per blank.)*

✔ Your answer is correct.

Challenge

OK

CVP analysis is useful for companies with the need to answer which of the following questions?

✔ Your answer is correct.

- What should the factory look like?
- Who do we hire for the controller position?
- ✔ How can we increase net income?
- Would our employees use on-site childcare?

Challenge

OK

The contribution margin statement is *primarily* used for: (Check all that apply.)

✔ Your answer is correct.

- tax purposes.
- external financial statement reporting.
- ✔ CVP analysis.
- ✔ internal decision making.

Challenge

OK

A company sold 750 units with a contribution margin of $120 per unit. If the company has a break-even point of 450 units, what is net operating income?

Your answer is correct.

- ✓ $36,000
- ($64,000)
- ($10,000)
- $54,000

Challenge

OK

Which of the following is least likely to change as the volume of a product increases or decreases?

✔ Your answer is correct.

- ✔ Price
- Unit fixed cost
- Total contribution margin
- Total variable cost

Challenge

OK

The correct answer is shown.

On a profit graph, the point where the line crosses the y-axis represents fixed costs.

✔ Your answer is correct.

Challenge

OK

Select all factors which determine whether a cost structure with higher variable costs is better than one with higher fixed costs. (Check all that apply.)

✔ Your answer is correct.

- ✔ The attitude of owners toward risk
- ✔ Long-run trends in sales
- Average sales price per unit
- ✔ Year-to-year fluctuations in the level of sales

Challenge

OK

Bluin Corporation pays its salesperson a flat salary of $5,750 per month and is considering paying her $30 per unit instead. Current unit sales are 250 per month, but Bluin believes the compensation change will increase unit sales by 50%. Bluin's current contribution margin is $100 per unit. If Bluin switches the compensation and sales grow as expected:

✔ Your answer is correct.

net operating income will decrease by $7,500 per month

net operating income will decrease by $5,500 per month

net operating income will increase by $1,250 per month

✔ net operating income will increase by $7,000 per month

Current net operating income = ($100 x 250) - $5,750 = $19,250. With the change net operating income would be: ($100 - $30) x 250 x 150% = $26,250, an increase of $7,000 per month.

Challenge

OK

The correct answer is shown.

The cost structure a company chooses depends on factors such as long-run trends in sales, year-to-year fluctuations in the level of sales, and the attitude of the owners toward risk.

Challenge

OK