

In a company with low operating leverage, _____.

Select one:

- a. there is a higher possibility of net loss than a higher-leveraged firm.
- b. fixed costs are more than the contribution margin.
- c. less risk is assumed than in a highly leveraged firm.
- d. contribution margin and operating income are inversely related.

The correct answer is: less risk is assumed than in a highly leveraged firm.

A company has provided the following data:

Sales.....	3,000	units
Sales price	\$70	per unit
Variable cost	\$50	per unit
Fixed cost	\$25,000	

If the sales volume decreases by 25%, the variable cost per unit increases by 15%, and all other factors remain the same, net operating income will:

Select one:

- a. increase by \$20,625.
- b. decrease by \$15,000.
- c. decrease by \$31,875.
- d. decrease by \$3,125.

The correct answer is: decrease by \$31,875.

Selling price per unit \$30, variable cost per unit \$20, and fixed cost per unit \$3. When this company operates above the breakeven point, the sale of one more unit will increase net income by \$7.

Select one:

- True
- False

The correct answer is 'False'.

The following information is for High Corp: Selling price \$65 per unit
Variable costs \$40 per unit Total fixed costs \$125,000 The number of units that High Corp must sell to reach targeted operating income of \$25,000 is-----

Select one:

- a. 4,334 units
- b. 6,000 units
- c. 7,500 units
- d. 3,334 units

The correct answer is: 6,000 units

To apply CVP analysis in the hotel industry, which of the following is the most important measure of output?

Select one:

- a. number of nights occupied
- b. number of visitors
- c. number of employees
- d. number of dishes on the menu

The correct answer is: number of nights occupied

Assuming a constant mix of 4 units of X for every 1 unit of Y.

<u>X</u>		<u>Y</u>	<u>Total</u>
	Sales		
\$25		\$40	
	VCU		
18		22	
	Total fixed costs		
	\$138,000		

The breakeven point in units would be _____.

Assume the following cost information for Fernandez Company:

Selling price **\$120**
per unit

Variable costs **\$80**
per unit

Total fixed costs
\$80,000

Tax
rate **20%**

**What minimum volume of sales dollars is required to earn an after-tax net income of \$38,000?
(Rounded)**

Select one:

- a. \$382,500
- b. \$330,000
- c. \$789,000

proposed reduction in selling price is implemented _____.

Select one:

- a. operating income will increase by \$10,000
- b. operating income will increase by 19.66%
- c. operating income will increase by 24.47%
- d. operating income will decrease by \$9,500

The correct answer is: operating income will increase by 24.47%

Kaiser's Kraft Korner sells a single product. 7,000 units were sold resulting in \$70,000 of sales revenue; \$28,000 of variable costs; and \$12,000 of fixed costs.

Breakeven point in units is:

Select one:

- a. 5,000 units
- b. Cannot be calculated
- c. 3,000 units
- d. 2,000 units

The correct answer is: 2,000 units

The February contribution format income statement of Caines Corporation appears below:

Sales.....	\$259,200
Variable expenses	<u>176,400</u>
Contribution margin.....	82,800
Fixed expenses	<u>59,100</u>
Net operating income.....	<u>\$ 23,700</u>

If the company's sales increase by 15%, its net operating income should increase by about:

Select one:

- a. 18%
- b. 63%
- c. 17%
- d. 52%

\$138,000

The breakeven point in units would be _____.

Select one:

- a. 5,200 units of X and 1,800 units of Y
- b. 12,000 units of X and 3,000 units of Y
- c. 3,600 units of X and 1,200 units of Y
- d. 6,000 units of X and 2,000 units of Y

The correct answer is: 12,000 units of X and 3,000 units of Y

Question 10

Complete

Marked out of 1.00

🚩 Flag question

Focusing on target net income rather than operating income will increase the breakeven point.

Select one:

- True
- False

The correct answer is 'False'.

Complete

Marked out of 1.00

🚩 Flag question

Sales less cost of goods sold is the _____.

Select one:

- a. margin of safety
- b. gross margin
- c. fixed cost per unit
- d. contribution margin per unit

The correct answer is: gross margin

The breakeven point decreases if

Select one:

- a. variable cost per unit increases.
- b. total fixed costs increase.
- c. contribution margin per unit decreases.
- d. selling price per unit increases.

The correct answer is: selling price per unit increases.

At breakeven point, _____.

Select one:

- a. breakeven revenues equal fixed costs divided by the variable cost per unit
- b. operating income is equal to fixed costs
- c. contribution margin minus fixed costs is equal to zero
- d. revenues = (fixed costs minus variable costs).

The correct answer is: contribution margin minus fixed costs is equal to zero

Tony Manufacturing produces a single product that sells for \$80. Variable costs per unit equal \$30. The company expects total fixed costs to be \$78,000 for the next month at the projected sales level of 2,500 units. Suppose that management believes that a 10% reduction in the selling price will result in a 30% increase in sales. If this proposed reduction in selling price is implemented _____.

Select one:

- a. operating income will increase by \$10,000
- b. operating income will increase by 19.66%