

Question 11

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Michael Vick has written a self improvement book that has the following cost characteristics:

Selling price

\$16.00 per book

Variable cost per unit:

Production

\$4.00

Selling & administrative

2.00

Fixed costs:

Production

\$ 88,000

per year

Selling & administrative

18,000

per year

How many units must be sold to break-even?

Select one:

- a. 10,600
- b. 8,800
- c. 6,625
- d. 7,333

When a greater proportion of costs are fixed costs, then _____.

Select one:

- a. a small decrease in sales results in a large decrease in operating income
- b. a small decrease in sales results in a large increase in operating income
- c. a small decrease in operating income results in a large decrease in sales
- d. a small decrease in sales results in a smaller decrease in operating income

Which of the following is true about the assumptions underlying basic CVP analysis?

Select one:

- a. selling price varies with demand and supply of the product.
- b. selling price, variable cost per unit, fixed cost per unit, and total fixed costs are known and constant.
- c. only selling price, variable cost per unit, and total fixed costs are known and constant.
- d. only selling price and variable cost per unit are known and constant.

The correct answer is: only selling price, variable cost per unit, and total fixed costs are known and constant.

Sky High sells helicopters. During the current year, 100 helicopters were sold resulting in \$820,000 of sales revenue, \$250,000 of variable costs, and \$342,000 of fixed costs. The number of helicopters that must be sold to achieve \$300,000 of operating income is _____.

$$= f.c + o.i /$$

$$(rev - v.c / \# \text{ of unit sold})$$

Select one:

- a. 96 units
- b. 113 units
- c. 100 units
- d. 102 units

The correct answer is: 113 units

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 **15%**

What is required sales units to earn an after-tax net income of \$38,250?

Select one:

- a. 375,000
- b. 2,956
- c. 8,375
- d. 3,125

The correct answer is: 3,125

The correct answer is: 3,125

Question 6

Complete

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To determine the effect of income tax on a decision, managers should evaluate

Select one:

- a. **contribution margin.**
- b. **target net income.**
- c. **selling price.**
- d. **target operating income.**

The correct answer is: **target net income.**

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Step-by-step explanation:

We would apply the formula which is expressed as

$$N = (FC + OP) / [(R - VC) / TU]$$

Where

N represents the number of helicopters that must be sold.

FC represents the fixed cost

OP represents the operating income required.

R represents revenue

VC represents variable cost

TU represents the total number of units sold.

From the information given

$$FC = 350000$$

$$OP = 320000$$

$$R = 840000$$

$$VC = 200000$$

4 answers left

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The following information is for ABC Corp:

Selling price	\$60 per unit
Variable costs	\$40 per unit
Total fixed costs	\$125,000

The number of units that ABC Corp must sell to reach targeted operating income of \$38,000 is

Select one:

- a. 6,520 units
- b. 4,334 units
- c. 8,150 units
- d. 7,500 units

The correct answer is: 8,150 units

Question 15

Complete

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The selling price per unit less the variable cost per unit is the _____.

Select one:

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

The correct answer is: contribution margin per unit

A company with a higher degree of operating leverage is at greater risk during economic downturns because of its higher fixed costs.

Select one:

- a. False
- b. information given is not enough
- c. True

If a company has a degree of operating leverage of 3.0 and sales increase by 25%, then _____.

Select one:

- a. total costs will increase by 75%
- b. operating income will increase by 75%
- c. operating income will decrease by 75%
- d. total fixed costs will increase by 75%