

ACC 1820

Exam 2

October 26, 2015

1) LDR Manufacturing produces a pesticide chemical and uses process costing. There are three processing departments—Mixing, Refining, and Packaging. On January 1, 2014, the first department, Mixing, had no beginning inventory. During January, 40,000 fl. oz. of chemicals were started in production. Of these, 32,000 fl. oz. were completed and 8,000 fl. oz. remained in process. In the Mixing Department, all direct materials are added at the beginning of the production process and conversion costs are applied evenly through the process.

At the end of the month, LDR calculated equivalent units in the Mixing Department as shown below:

UNITS	Whole Units	Equivalent Units	Equivalent Units
Units to account for		Direct Materials Cost	Conversion Cost
Completed	32,000	32,000	32,000
End bal. WIP *	8,000	8,000	4,800
	40,000	40,000	36,800

* % of completion for direct materials costs: 100%

% of completion for conversion costs: 60%

During January, the Mixing Department incurred \$48,000 in direct materials costs and \$211,600 in conversion costs. How much was the cost per equivalent unit for materials and for conversion costs? (Use the weighted average method and round your answer to the nearest cent)

- A) \$6.00 for materials, \$5.29 for conversion
- B) \$1.20 for materials, \$6.61 for conversion
- C) \$1.50 for materials, \$6.61 for conversion
- D) \$1.20 for materials, \$5.75 for conversion

2) LDR Manufacturing produces a pesticide chemical and uses process costing. There are three processing departments—Mixing, Refining, and Packaging. On January 1, 2014, the first department, Mixing, had no beginning inventory. During January, 40,000 fl. oz. of chemicals were started in production. Of these, 32,000 fl. oz. were completed and 8,000 fl. oz. remained in process. In the Mixing Department, all direct materials are added at the beginning of the production process and conversion costs are applied evenly through the process.

At the end of January, the equivalent unit data for the Mixing Department were as follows:

UNITS	Whole Units	Equivalent Units	Equivalent Units
Units to account for		Direct Materials Cost	Conversion Cost
Completed	32,000	32,000	32,000
End bal. WIP	8,000	8,000	4,800
	40,000	40,000	36,800

In addition to the above, the costs per equivalent unit were \$5.50 for direct materials and \$3.60 for conversion costs. Using this data, calculate the full cost of the ending balance in the Mixing Department.

- A) \$35,600
- B) \$48,000
- C) \$61,280
- D) \$222,400

3) LDR Manufacturing produces a pesticide chemical and uses process costing. There are three processing departments—Mixing, Refining, and Packaging. On January 1, 2014, the first department, Mixing, had no beginning inventory. During January, 40,000 fl. oz. of chemicals were started in production. Of these, 32,000 fl. oz. were completed and 8,000 fl. oz. remained in process. In the Mixing Department, all direct materials are added at the beginning of the production process and conversion costs are applied evenly through the process.

At the end of January, the equivalent unit data for the Mixing Department were as follows:

UNITS	Whole Units	Equivalent Units	Equivalent Units
Units to account for		Direct Materials Cost	Conversion Cost
Completed	32,000	32,000	32,000
End bal. WIP	8,000	8,000	4,800
	40,000	40,000	36,800

In addition to the above, the costs per equivalent unit were \$1.20 for direct materials and \$5.75 for conversion costs. Using this data, calculate the cost of the units that were transferred out of the Mixing Department and into the Refining Department.

- A) \$211,600
- B) \$48,000
- C) \$222,400
- D) \$37,200

4) LDR Manufacturing produces a pesticide chemical and uses process costing. There are three processing departments—Mixing, Refining, and Packaging. On January 1, 2012, the first department, Mixing, had a zero beginning balance. During January, 40,000 gallons of chemicals were started into production. During the month, 32,000 gallons were completed, and 8,000 remained in process, partially completed. In the Mixing Department, all direct materials are added at the beginning of the production process, and conversion costs are applied evenly through the process.

During January, the Mixing Department incurred \$48,000 in direct materials costs and \$211,600 in conversion costs. At the end of the month, the ending inventory in the Mixing Department was 60% complete with respect to conversion costs.

The total cost of product in ending inventory was: 48

- A) \$211,600.
- B) \$48,000.
- C) \$37,200.
- D) \$222,400.

5) LDR Manufacturing produces a pesticide chemical and uses process costing. There are three processing departments—Mixing, Refining, and Packaging. On January 1, 2012, the first department, Mixing, had a zero beginning balance. During January, 40,000 gallons of chemicals were started into production. During the month, 32,000 gallons were completed, and 8,000 remained in process, partially completed. In the Mixing Department, all direct materials are added at the beginning of the production process, and conversion costs are applied evenly through the process.

During January, the Mixing Department incurred \$60,000 in direct materials costs and \$230,000 in conversion costs. At the end of the month, the ending inventory in the Mixing Department was 60% complete with respect to conversion costs. First, calculate the equivalent units, then calculate the cost per equivalent unit, and then calculate the total cost of the product that was completed and transferred out during January.

The total cost of product transferred out was:

- A) \$304,347.
- B) \$280,000.
- C) \$243,478.
- D) \$248,000.

6) LDR Manufacturing produces a pesticide chemical and uses process costing. There are three processing departments—Mixing, Refining, and Packaging. On January 1, 2012, the Refining Department had 2,000 gallons of partially processed product in production. During January, 32,000 gallons were transferred in from the Mixing Department and 29,000 gallons were completed and transferred out. At the end of the month, there were 5,000 gallons of partially processed product remaining in the Refining Department. See additional details below.

Refining Department, beginning balance at January 1, 2012

Quantity:	2,000 units (partially processed)
Cost:	\$15,600 of costs transferred in
	\$1,900 of materials cost
	\$4,500 of conversion cost
	\$22,000 total account balance

Costs added during January

Cost of units transferred in:	\$222,400
Direct materials cost	\$45,000
Conversion cost	\$93,750

Refining Department, ending balance at January 31, 2012

Quantity:	5,000 units (partially processed)
% completion for materials cost:	90%
% completion for conversion cost:	75%

For the Refining Department in the month of January, what was cost per equivalent unit with respect to direct materials costs? Use the weighted-average method. (Round your calculations to the nearest cent.)

- A) \$1.40
- B) \$3.00
- C) \$1.34 ✓
- D) \$7.00

7) LDR Manufacturing produces a pesticide chemical and uses process costing. There are three processing departments—Mixing, Refining, and Packaging. On January 1, 2012, the Refining Department had 2,000 gallons of partially processed product in production. During January, 32,000 gallons were transferred in from the Mixing Department and 29,000 gallons were completed and transferred out. At the end of the month, there were 5,000 gallons of partially processed product remaining in the Refining Department. See additional details below.

Refining Department, beginning balance at January 1, 2012

Quantity:	2,000 units (partially processed)
Cost:	\$15,600 of costs transferred in
	\$1,900 of materials cost
	\$4,500 of conversion cost
	\$22,000 total account balance

Costs added during January

Cost of units transferred in:	\$222,400
Direct materials cost	\$45,000
Conversion cost	\$93,750

Refining Department, ending balance at January 31, 2012

Quantity:	5,000 units (partially processed)
% completion for materials cost:	90%
% completion for conversion cost:	75%

For the Refining Department in the month of January, what was cost per equivalent unit with respect to conversion costs? (Use the weighted average method and round your calculations to the nearest cent.)

- A) \$1.40
- B) \$3.00
- C) \$1.34
- D) \$2.86

8) The Assembling Department of Mat Liners had 10,000 units in process in December beginning and received 30,000 units from the Sewing Department. During the month, it completed 20,000 units and transferred them to the Packaging Department. Calculate the number of units accounted for by the Assembling Department for December.

- A) 20,000 units
- B) 40,000 units
- C) 10,000 units
- D) 30,000 units

9) On September 30, the Boiling Department of Tea Works, had beginning Work-in-Process Inventory of 30,000 units which was 40% complete for materials and 35% complete for conversion costs. This means that for the beginning inventory 60 % of the materials and 65 % of conversion costs were added during October.

- A) 40; 35
- B) 65; 60
- C) 60; 65
- D) 35; 40

10) The Polishing Department of Wood Shiners had 15,000 units in process on June 1 and received 25,000 units from the Machining Department. What is the number of units to account for by the Polishing Department for June?

- A) 25,000 units
- B) 15,000 units
- C) 40,000 units
- D) 10,000 units

11) The Assembling Department of Mat Liners had 7,500 units in process on December 1 and received 10,000 units from the Sewing Department. Calculate the number of units to account for by the Assembling Department for December.

- A) 17,500 units
- B) 10,000 units
- C) 7,500 units
- D) 2,500 units

12) The Polishing Department of Wood Shiners had 15,000 units in process on June 1 and received 25,000 units from the Machining Department. During the month, it completed 32,000 units and transferred them to the Packaging Department and had 8,000 units in ending Work-in-Process Inventory. Calculate the number of units accounted for by the Polishing Department for June.

- A) 17,000 units
- B) 15,000 units
- C) 8,000 units
- D) 40,000 units

13) The Assembling Department of Mat Liners had 10,000 units in process in December beginning and received 30,000 units from the Sewing Department. During the month, it completed 20,000 units and transferred them to the Packaging Department. Calculate the number of units accounted for by the Assembling Department for December.

- A) 20,000 units
- B) 40,000 units
- C) 10,000 units
- D) 30,000 units

14) On September 30, the Boiling Department of Tea Works, had beginning Work-in-Process Inventory of 30,000 units which was 40% complete for materials and 35% complete for conversion costs. This means that for the beginning inventory _____ % of the materials and _____ % of conversion costs were added during October.

- A) 40; 35
- B) 65; 60
- C) 60; 65
- D) 35; 40

15) On September 30, the Mixing Department of Tea Works had Work-in-Process Inventory that was 25% complete for materials and 20% complete for conversion costs. This means that for the ending inventory, _____ % of materials and _____ % of the conversion costs were added during September.

- A) 80; 75
- B) 75; 80
- C) 20; 25
- D) 25; 20

16) Travel Trails manufactures railway coaches and uses the FIFO method of process costing to record costs. The Work-in-Process Inventory of the Heating Department on October 1 was 70% complete for materials and 20% complete for conversion costs. On October 31, its ending Work-in-Process Inventory was 80% complete for materials and 40% complete for conversion costs. This means that for the ending inventory _____ % of the materials and _____ % of the conversion costs were added during October.

- A) 70; 40
- B) 30; 20
- C) 80; 40
- D) 40; 80

17) The first-in, first-out (FIFO) method creates better month-to-month cost comparisons than the weighted-average method:

- A) as it does not recognize transferred in units from other processes.
- B) when there are substantial quantities of units in process at the end of the period.
- C) because it merges costs from the prior period with the current period.
- D) as it is used by industries that do not experience significant cost changes. —

18) LDR Manufacturing produces a pesticide chemical and uses process costing. There are three processing departments—Mixing, Refining, and Packaging. On January 1, 2014, the first department, Mixing, had no beginning inventory. During January, 40,000 fl. oz. of chemicals were started in production. Of these, 32,000 fl. oz. were completed and 8,000 fl. oz. remained in process. In the Mixing Department, all direct materials are added at the beginning of the production process and conversion costs are applied evenly through the process.

At the end of the month, LDR calculated equivalent units. The ending inventory in the Mixing Department was 60% complete with respect to conversion costs. With respect to direct materials, what is the number of equivalent units in the ending inventory?

- A) 4,800 equivalent units
- B) 32,000 equivalent units
- C) 40,000 equivalent units
- D) 8,000 equivalent units

$$\begin{aligned}
 32,000 \times 100\% &= 32,000 \text{ Completed} \\
 8,000 \times 60\% &= 4,800 \text{ in process} \\
 32,000 + 4,800 &= 36,800 \text{ equivalent units}
 \end{aligned}$$

19) LDR Manufacturing produces a pesticide chemical and uses process costing. There are three processing departments—Mixing, Refining, and Packaging. On January 1, 2014, the first department, Mixing, had no beginning inventory. During January, 40,000 fl. oz. of chemicals were started in production. Of these, 32,000 fl. oz. were completed and 8,000 fl. oz. remained in process. In the Mixing Department, all direct materials are added at the beginning of the production process and conversion costs are applied evenly through the process.

At the end of the month, LDR calculated equivalent units. The ending inventory in the Mixing Department was 60% complete with respect to conversion costs. With respect to conversion costs, how many equivalent units were calculated for the product that was completed and for ending inventory?

- A) Product completed: 32,000 equivalent units; Products in ending inventory: 4,800 equivalent units
- B) Product completed: 32,000 equivalent units; Products in ending inventory: 8,000 equivalent units
- C) Product completed: 19,200 equivalent units; Products in ending inventory: 4,800 equivalent units
- D) Product completed: 40,000 equivalent units; Products in ending inventory: 8,000 equivalent units

20) Muses Manufacturing produces plastic toys and uses process costing. There are three processing departments—Assembling, Finishing, and Packaging. On January 1, 2012, the Finishing Department had 2,000 units of partially processed product in production. During January, 32,000 units were transferred in from the Assembling Department and 29,000 units were completed and transferred out. At the end of the month, there were 5,000 units of partially processed products remaining in the Finishing Department. See additional details below.

Finishing Department, ending balance at January 31, 2012

Percentage completion for materials cost:	90%
Percentage completion for conversion cost:	75%

For the Finishing Department, what was the number of equivalent units for the month of January, with respect to direct materials?

- A) 33,500 units
- B) 34,000 units
- C) 29,000 units
- D) 4,500 units

21) LDR Manufacturing produces a pesticide chemical and uses process costing. There are three processing departments—Mixing, Refining, and Packaging. On January 1, 2012, the Refining Department had 2,000 gallons of partially processed product in production. During January, 32,000 gallons were transferred in from the Mixing Department and 29,000 gallons were completed and transferred out. At the end of the month, there were 5,000 gallons of partially processed product remaining in the Refining Department. See additional details below.

Refining Department, ending balance at January 31, 2012

Percentage completion for materials cost:	90%
Percentage completion for conversion cost:	75%

For the Refining Department, what was the total number of equivalent units of production for conversion costs for the month of January?

- A) 3,750 units
- B) 32,750 units
- C) 29,000 units
- D) 4,500 units

22) Organic Sugar Company at Ohio has six processing departments for refining sugar: Affination, Carbonatation, Decolorization, Boiling, Recovery, and Packaging. Conversion costs are added evenly throughout each process. Data from the month of August for the Decolorization Department are as follows:

	<u>Metric Tons</u>
Beginning Work-in-Process Inventory	0
Transferred in production	12,500
Completed and transferred out to Boiling in August	8,000
Ending Work-in-Process Inventory	4,500

	<u>Costs</u>
Beginning Work-in-Process Inventory	\$ 0
Costs added during August:	
Direct materials	2,500,000
Direct labor	1,250,000
Manufacturing overhead	625,000
Total costs added during August	\$4,375,000

The ending Work-in-Process Inventory is 100% and 65% complete with respect to direct materials and conversion costs, respectively. Compute the equivalent units of production (EUP) for direct materials and for conversion costs for the month of August.

- A) 10,925 EUP for direct materials and 2,925 EUP for conversion costs
- ☒ B) 12,500 EUP for direct materials and 10,925 EUP for conversion costs
- C) 2,925 EUP for direct materials and 10,925 EUP for conversion costs
- D) 12,500 EUP for direct materials and 2,925 EUP for conversion costs

23) The Assembly Department of Smart Computers had a beginning inventory of 5,000 units. During November, it assembled 2,000 units and transferred them to the Packaging Department. It incurred \$250,000 in direct materials and \$75,000 in conversion costs. The ending inventory in November was 3,000 units which were 100% and 60% complete with respect to materials and conversion costs, respectively. Calculate the total equivalent units of production for conversion costs for November.

- ☒ A) 2,000 units
- B) 5,000 units
- C) 3,800 units
- D) 1,800 units

24) The Refining Department of Sweet Sugar Inc. had 80,000 tons of sugar to account for in July. Of the 80,000 tons, 45,000 tons were completed and transferred to the Boiling Department, and the remaining 35,000 tons were 75% complete. The materials required for production are added at the beginning of the process. Conversion costs are added equally throughout the refining process. Calculate the total equivalent units of production for direct materials.

- A) 71,250 units
- B) 45,000 units
- ☒ C) 26,250 units
- D) 80,000 units

25) The Refining Department of Sweet Sugar Inc. had 55,000 tons of sugar to account for in December. Of the 55,000 tons, 45,000 tons were completed and transferred to the Boiling Department, and the remaining 10,000 tons were 60% complete. The materials required for production are added at the beginning of the process. Conversion costs are added equally throughout the refining process. Calculate the total equivalent units of production for conversion costs.

- A) 6,000 units
- B) 45,000 units
- C) 51,000 units
- D) 55,000 units

26) The direct labor costs and manufacturing overhead costs required to produce finished goods from raw materials are called:

- A) transferred in costs.
- B) cost of sales.
- C) finished goods costs.
- D) conversion costs.

27) Under process costing, the total production costs incurred must be split between the units that have been completed in that process and transferred to the next process and the:

- A) Finished Goods Inventory if it is the first process.
- B) units not completed and remaining in Work-in-Process Inventory for that department.
- C) Cost of Goods Sold when the units are sold.
- D) Work-in-Process Inventory of the previous department when there are no sales.

28) If 20,000 units are 60% complete with respect to direct materials, then the equivalent units of production for direct materials are:

- A) 20,000 units.
- B) 12,000 units.
- C) 8,000 units.
- D) 28,000 units

29) Venus Inc. has fixed costs of \$300,000. Total costs, both fixed and variable, are \$450,000 when 30,000 units are produced. Calculate the total costs if the volume increases to 60,000 units.

- A) \$750,000
- B) \$1,200,000
- C) \$600,000
- D) \$450,000

30) Anthony Company has fixed costs of \$30,000 per month. Highest production volume during the year was in January when 100,000 units were produced, 75,000 units were sold, and total costs of \$630,000 were incurred. In June, the company produced only 55,000 units. What was the total cost incurred in June?

- A) \$480,000
- B) \$360,000
- C) \$630,000
- D) \$830,000

31) Anthony Company's highest point of total cost was \$75,000 in June. Their point of lowest cost was \$50,000 in December. The company makes a single product. Production volume in June and December were 13,000 and 8,000 units, respectively. What is the fixed cost per month?

- A) \$50,000
- B) \$20,000
- C) \$10,000
- D) \$8,000

32) Anthony Company's highest point of total cost was \$75,000 in June. Their point of lowest cost was \$50,000 in December. The company makes a single product. Production volume in June was 13,000 units; production volume in December was 8,000 units. What is the variable cost per unit?

- A) \$9.38 per unit
- B) \$6.25 per unit
- C) \$5.00 per unit
- D) \$5.77 per unit

33) The relevant range of Orleans Company is between 100,000 units and 180,000 units per month. If the company produces beyond 180,000 units per month:

- A) the fixed costs will remain the same, but the variable cost per unit may change.
- B) the fixed costs may change, but the variable cost per unit will remain the same.
- C) the fixed costs and the variable cost per unit will not change.
- D) both the fixed costs and the variable cost per unit may change.

34) The phone bill for an accounting firm consists of both fixed and variable costs. Refer to the 4-month data below and apply the high-low method to answer the question. (Round your intermediate calculations to two decimal places)

	Minutes	Total Bill
January	460	\$3,000
February	200	\$2,675
March	160	\$2,625
April	300	\$2,800

What is the fixed portion of the total cost?

- A) \$1,850
- B) \$2,225
- C) \$2,425
- D) \$2,625

35) The phone bill for an accounting firm consists of both fixed and variable costs. Refer to the 4-month data below and apply the high-low method to answer the question.

	Minutes	Total Bill
January	460	\$3,000
February	200	\$2,675
March	160	\$2,625
April	300	\$2,800

What is the variable cost per minute?

- A) \$1.25
- B) \$0.67
- C) \$1.08
- D) \$0.58

36) The phone bill for an accounting firm consists of both fixed and variable costs. Refer to the 4-month data below and apply the high-low method to answer the question.

	Minutes	Total Bill
January	460	\$3,000
February	200	\$2,675
March	160	\$2,625
April	300	\$2,800

If the company uses 380 minutes in May, how much will the total bill be?

- A) \$2,425
- B) \$2,478
- C) \$2,900
- D) \$3,767

37) Porterhouse Company incurs both fixed and variable production costs. Assuming the production is within the relevant range, if volume goes up by 20%, then the total variable costs would:

- A) increase by 20%.
- B) remain the same.
- C) increase by an amount less than 20%.
- D) decrease by 20%.

38) Porterhouse Company incurs both fixed and variable production costs. Assuming the production is within the relevant range, if volume goes up by 20%, then the total fixed costs would:

- A) increase by 20%.
- B) remain the same.
- C) increase by an amount less than 20%.
- D) decrease by 20%.

39) The high-low method is used to:

- A) determine the highest price that can be charged for a product.
- B) separate mixed costs into their variable and fixed components.
- C) identify the relevant and irrelevant costs of a business.
- D) determine the sales level at highest capacity.

40) Porterhouse Company incurs both fixed and variable production costs. Assuming the production is within the relevant range, if volume goes up by 20%, then the total costs would:

- A) increase by 20%.
- B) remain the same.
- C) increase by an amount less than 20%.
- D) decrease by 20%

41) First Buy Company provided the following manufacturing costs for the month of June.

Direct labor cost	\$136,000
Direct materials cost	80,000
Equipment depreciation (straight-line) ✓	24,000
Factory insurance ✓	19,000
Factory manager's salary ✓	12,800
Janitor's salary ✓	5,000
Packaging costs	18,800
Property taxes ✓	16,000

From the above information, calculate First Buy's total fixed costs.

- A) \$311,600
- B) \$52,800
- C) \$71,600
- D) \$76,800

42) First Buy Company provided the following manufacturing costs for the month of June.

Direct labor cost ✓	\$136,000
Direct materials cost ✓	80,000
Equipment depreciation (straight-line)	24,000
Factory insurance	19,000
Factory manager's salary	12,800
Janitor's salary	5,000
Packaging costs ✓	18,800
Property taxes	16,000

From the above information, calculate First Buy's total variable costs.

- A) \$311,600
- B) \$62,300
- C) \$234,800
- D) \$38,400

43) Williams Company has variable costs of \$0.60 per unit of product. In August, the volume of production was 24,000 units and units sold were 20,000. The total production costs incurred were \$31,900. What are the fixed costs per month?

- A) \$17,500
- B) \$19,900
- C) \$9,600
- D) \$14,400

44) Which of the following costs remains the same irrespective of the changes in production?

- A) Total mixed costs
- B) Total operating costs
- C) Total variable costs
- D) Total fixed costs

45) Colin was a professional classical guitar player until his motorcycle accident that left him disabled. After long months of therapy, he hired an experienced luthier (maker of stringed instruments) and started a small shop to make and sell Spanish guitars. The guitars sell for \$700 and the fixed monthly operating costs are as follows:

Rent and utilities	\$800
Wages and benefits to luthier	2,500
Other expenses	480

Colin's accountant told him about contribution margin ratios and he understood clearly that for every dollar of sales, \$0.60 went to cover his fixed costs, and that anything past that point was pure profit.

Colin is planning to increase the selling price to \$750. What impact will the increase in selling price have on the contribution margin ratio?

- A) It will stay the same.
- B) It will go up 70% to 75%.
- C) It will go up from 60% to approximately 63%.
- D) It will go down from 70% to approximately 67%.

46) Colin was a professional classical guitar player until his motorcycle accident that left him disabled. After long months of therapy, he hired an experienced luthier (maker of stringed instruments) and started a small shop to make and sell Spanish guitars. The guitars sell for \$700 and the fixed monthly operating costs are as follows:

Rent and utilities	\$800
Wages and benefits to luthier	2,500
Other expenses	480

Colin's accountant told him about contribution margin ratios and he understood clearly that for every dollar of sales, \$0.60 went to cover his fixed costs, and that anything past that point was pure profit.

Colin is planning to increase the selling price to \$820. What impact will the increase in selling price have on the breakeven point in units?

- A) It will stay the same.
- B) It will go down from 11 to 9 units.
- C) It will go up from 9 to 12 units.
- D) It will go down from 9 to 7 units.

47) Lightfoot Company sells its product for \$55 and has variable costs of \$30 per unit. The total fixed costs are \$25,000. What will be the effect on the breakeven point in units if variable costs increase by \$5 due to an increase in the cost of direct materials?

- A) It will increase by 250 units.
- B) It will decrease by 250 units.
- C) It will decrease by 167 units.
- D) It will increase by 167 units.

48) A small business produces a single product and reports the following data:

Price	\$8.00 per unit
Variable cost	\$5.00 per unit
Fixed cost	\$21,000 per month
Volume	10,000 per month

If the company reduces its price to \$7.50, it believes that the volume will go up to 11,000 units. How would this change affect operating income?

- A) It will go up by \$2,500.
- B) It will go up by \$9,000.
- C) It will go down by \$2,500.
- D) It will go down by \$9,000.

49) Evans Company has estimated the following amounts for its next fiscal year:

Total fixed expenses	\$832,500
Sale price per unit	40
Variable expenses per unit	25

What will happen to the breakeven point (in units) if Evans can reduce fixed expenses by \$22,500?

- A) The breakeven point will decrease by 1,500 units.
- B) The breakeven point will decrease by 562 units.
- C) The breakeven point will decrease by 900 units.
- D) The breakeven point will increase by 562 units.

50) Moylan Company has provided the following information:

Sales	\$777,000
Variable expenses	504,000
Fixed expenses	212,000

Which of the following statements is true, if the sales volume increases by 10%?

- A) Operating income will increase by \$6,100.
- B) Operating income will increase by \$27,300.
- C) Fixed expenses will increase by \$21,200.
- D) Contribution margin will increase by \$77,700.

