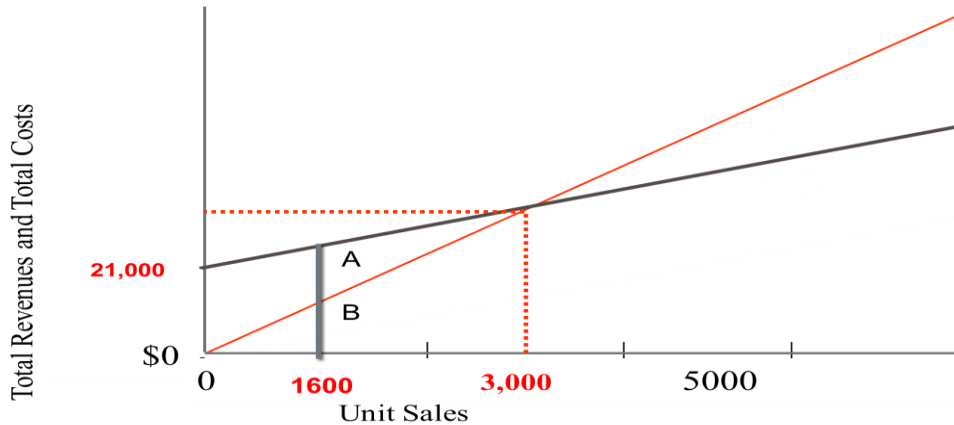


Tutorial 4 July 5, 2017

Question 1

Use the following graph to calculate the NI (loss) at 1600 units and the amounts corresponding to the letters A & B, given that the VC% is 30%

3-25



Question 2

The Moore Company had the following revenues and costs per unit based on the production and sale of **30,000 units**:

Selling Price	\$ 75 per unit
Direct Materials	\$ 15 per unit
Direct Labor	\$ 25 per unit
Variable manufacturing Overhead	\$ 9 per unit
Fixed Manufacturing Overhead	\$ 8 per unit
Sales Commissions	\$ 5 per unit
Sales Salaries	\$ 4 per unit
Administrative Salaries	\$ 11 per unit

Their present plant capacity is 50,000 units per year, which can be increased in increments of 10,000 units at a cost of \$ 50,000 per increment.

Required:

How many units would the company have to produce and sell if they desired net income of \$ 220,000?

Question 3

Ruben Corporation manufactures and sells T-shirts imprinted with college names and slogans. In 2014, the shirts sold for \$8 each, and the variable cost to manufacture them was \$5 per unit. The company needed to sell 10,000 shirts to break even. The net income in 2014 was \$6,000. Ruben's expectations for 2015 include the following:

- The sales price will be increased to \$10 per unit
- Variable costs to manufacture will decrease by 20%
- Fixed advertising will increase by \$9,600

What should be the change in T-Shirts sold in 2015 after the above changes are implemented in order to maintain at least the same net income as 2014?