The company's CEO just returned from a seminar on management accounting and some new tools that can be used to assist in management of the business. One of the new tools she learned about is referred to as *contribution format income statements*.

It is time for the accounting department to prepare the month-end income statement. In the past, the standard format income statement, as shown below, has been used. But for the first time, the CEO has asked that the contribution format be used instead.

While most of the different expense categories are easy to analyze, the utility expense seems to display characteristics of both variable costs and fixed costs. To help prepare this income statement format, the accounting department collected data from the past 12 months. This data included actual utility costs as compared to each month's business volume. Some of it is shown below.

|  |  |  |
| --- | --- | --- |
| **History of Utility Expenses** | | |
|  | **Utility Costs** | **Comment** |
| **January** | $10,000 | closed the entire month for repairs |
| **February** | $11,000 | produced 5,000 widgets |
| **March** | $10,600 | produced 3,000 widgets |
| **April** | $11,600 | produced 8,000 widgets |

Submit 1 Excel file including the following information:

* Even when the plant was shut down for a month, what was the utility expense that month?
* In February, what was the amount of utilities that was fixed, and what portion was variable?
* Based on the rest of the data, what is the variable portion of utility costs per unit in February?
* If June's expected units produced are 9,000, what would the expected utility costs be? Show your calculations.
  + Prepare a contribution format income statement:
  + use this month's standard formatted income statement below
  + use the History of Utility Expenses provided
  + show as many calculations as possible

|  |  |  |  |
| --- | --- | --- | --- |
| **Standard Format Income Statement** | | | |
|  | | | **Comment** |
| Sales | 100,000 |  |  |
| (COGS) | -70,000 |  | 30% of these costs are fixed |
| Gross Profit | 30,000 |  |  |
|  | | | |
| (S,G,A) | -20,000 |  | 80% of these costs are fixed |
|  | | | |
| Net Income | 10,000 |  |  |