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Direct labor	\$7 per unit
Direct materials	\$1 per unit
Overhead	
Total variable overhead	\$20,000
Total fixed overhead	\$90,000
Expected units to be produced	40,000 units

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Production costs	
Direct materials	\$2.50 per unit
Direct labor	\$3.00 per unit
Variable overhead	\$45,000 in total
Fixed overhead	\$240,000 in total
Non-production costs	
Variable selling and administrative	\$10,000 in total
Fixed selling and administrative	\$50,000 in total

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Normal production level	75,000 units
Direct materials	\$1.25 per unit
Direct labor	\$2.50 per unit
Variable overhead	\$3.75 per unit
Fixed overhead	\$300,000 in total

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Units produced this year	25,000 units
Units sold this year	15,000 units
Direct materials	\$9 per unit
Direct labor	\$11 per unit
Variable overhead	\$75,000 in total
Fixed overhead	\$137,500 in total

Sales (8,500 x \$45)	\$382,500
Cost of goods sold (8,500 x \$20)	<u>170,000</u>
Gross margin	\$212,500
Selling and administrative expenses	<u>60,000</u>
Net Income	<u>\$152,500</u>