4-2. Account analysis: lancer audio produces a high-end DVD player that sells for $1250. Total for July operating expenses were as follows:

Units produced and sold 140

Component cost 67000

Supplies 1680

Assembly labor 23500

Rent 2200

Supervisor salary 5500

Electricity 250

Telephone 180

Gas 200

Shipping 1540

Advertising 2500

Administration costs 14500

Total 119050

Required:

A. Use account analysis to determine fixed cost per month and variable cost per DVD player.

B. Project total cost for august assuming production and sales of 160 units.

C. What is the contribution margin per DVD?

D. Estimate total profit assuming production and sales of 160 units.

E. Lancer audio is considered an order for 100 DVD players, to be produced in the next 10 months, from a customer in Canada. The selling price will be $900 per unit (under the normal price). However, the Lancer audio name will not be attached to the product. What will be the impact on company profit associated with this order?

4-3. High low, break even. Lancer audio produces a high-end DVD player that sells for 1250. Total operating expenses for the past 12 months are as follows:

Units produced and sold cost

August 125 112,670

September 145 121,990

October 150 129,500

November 160 131,500

December 165 139,700

January 140 117,400

February 145 125,600

March 135 115,400

April 130 116,140

May 135 119,220

June 145 121,700

July 140 119,050

Required:

A. Use the high-low method to estimate fixed and variable cost.

B. Based on these estimates, calculate the break-even level of sales in units.

C. Calculate the margin of safety for the coming august assuming estimated sales of 160 units.

D. Estimate total profit assuming production and sales of 160 units.

E. Comment on the limitations of high-low method in estimating costs for Lancer audio.

4.6 Account analysis, High-low, contribution margin. Information on occupancy and costs at the New Hotel for April, May, and June are indicated below:

April May June

Occupancy 1500 1650 1800

Day Manager salary 4200 4200 4200

Night manager salary 3700 3700 3700

Cleaning Staff 15300 15600 15900

Depreciation 12000 12000 12000

Food and beverages 4600 5300 5800

Total 39800 40800 41600

Required:

A. Calculate the fixed costs per month and the variable cost per occupied room using account analysis for April.

B. Calculate the fixed costs per month and the variable cost per occupied room using the high-low method.

C. Average room rates are $110 per night. What is the contribution margin per occupied room? In answering this question

Use your variable cost estimate from part b.