Questions- Help Needed!

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| The following is Alsatia Corporation's contribution format income statement for last month: |

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|   |   |   |
|   Sales | $ | 1,711,000   |
|   Variable expenses   |   | 991,200   |
|   |  |  |
|   Contribution margin |   | 719,800   |
|   Fixed expenses |   | 408,700   |
|   |  |  |
|   Net operating income | $ | 311,100   |
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| The company has no beginning or ending inventories and produced and sold 11,800 units during the month. |

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| **Required:** |
| **a.** | What is the company's contribution margin ratio? **(Round your answer to 3 decimal places.)** |

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|   Contribution margin ratio |   |

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| **b.** | What is the company's break-even in units? |

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| --- | --- |
|   Break-even | units  |

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| **c.** | If sales increase by 110 units, by how much should net operating income increase? **(Omit the "$" sign in your response.)** |

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|   Increase in net operating income | $   |

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| **d.** | How many units would the company have to sell to attain target profits of $341,600? |

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|   Sales to attain target profit | units   |

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| **e.** | What is the company’s margin of safety in dollars? **(Omit the "$" sign in your response.)** |

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|   Margin of safety in dollars | $   |

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| **f.** | What is the company's degree of operating leverage? **(Round your answer to 1 decimal place.)** |

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|   Degree of operating leverage |   |

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| A sales budget is given below for one of the products manufactured by the Key Co.: |

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|   | Sales Budget in Units |
|   January | 29,000 |
|   February | 44,000 |
|   March | 69,000 |
|   April | 49,000 |
|   May | 39,000 |
|   June | 34,000 |
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| The inventory of finished goods at the end of each month must equal 19% of the next month’s sales. On December 31, the finished goods inventory totaled 5,510 units. |

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| Each unit of product requires two specialized electrical switches. Since the production of these specialized switches by Key’s suppliers is sometimes irregular, the company has a policy of maintaining an ending inventory at the end of each month equal to 37% of the next month’s production needs. This requirement had been met on January 1 of the current year. |

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| **Required:** |
| Prepare a production plan for January, February, March and in total for the quarter. **(Input all amounts as positive values.)** |

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|   | January | February | March | April |
|    |  |  |  |    |
|    |  |  |  |   |
|   |  |  |  |  |
|   Total needs |  |  |  |   |
|    |  |  |  |   |
|   |  |  |  |  |
|   Units to be produced |  |  |  |   |
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| Calculate the quantity of switches to be purchased each month for January, February, March and in total for the quarter. **(Input all amounts as positive values.)** |

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|   | January | February | March | April |
|    |  |  |  |   |
|    |  |  |  |   |
|   |  |  |  |  |
|   Total needs |  |  |  |   |
|    |  |  |  |   |
|   |  |  |  |  |
|   Required purchases |  |  |  |   |
|   |  |  |  |  |
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