PROBLEM III

Third, Inc. which makes a single product had the following information for 2010.

Selling Price $8.00 per unit

Denominator (Planned production) 100,000 units

Production 90,000 units

Sales 80,000 units

Beginning Inventory -0-

Fixed Manufacturing Costs $70,000

Fixed Operating Expenses $20,000

Variable costs and expenses per unit $5.00

Variable Operating Expenses $1.00

**The denominator level of activity is 100,000 units.**

**REQUIRED: SHOW WORK ON WORK SHEET PROVIDED ON PAGE 4.**

1. Absorption Gross Profit for 2010. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. Absorption Net Income for 2010. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. Variable Total Contribution for 2010. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
4. Variable Net Income for 2010. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
5. One factor that causes answers 2 and 4 to differ.

Cause \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Amount\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

WORKSHEET FOR PROBLEM III