# bike

# **BEYONDBIKES.COM**

1. **High-Low Points Method**

BEYONDBIKES.COM considers electricity a mixed cost. By using a scatter chart, George has determined that there is a relationship between electricity expense and the number of hours per month the store is open. During the past year, electricity expense totaled $7200 in the month that the store was open 1200 hours and $4200 in the month that it was open 300 hours. What fixed monthly cost and hourly rate should George use to estimate electricity expense for the upcoming year?

1. **High/Low Method**

BEYONDBIKES.COM frequently hires temporary secretarial help and also pays overtime wages to its full-time secretaries. Management believes that the need for additional secretarial help is based on either total sales or the number of employee hours worked. I have already determined this by preparing a Scatter Graph and it is TOTAL SALES! Data from last year’s records are shown below:

Month Total **Total**  Total

Secretarial **Sales** Number

Expense of Employee

Hours

January $13,000 $90,000 20,000

February $14,000 $100,000 10,000

March $14,000 $110,000 25,000

April $16,000 $160,000 30,000

May $12,000 $80,000 14,000

June $17,000 $180,000 28,000

July $20,000 $240,000 30,000

August $15,000 $150,000 20,000

September $22,000 $300,000 30,000

October $19,000 $200,000 15,000

November $20,000 $250,000 18,000

December $15,000 $130,000 12,000

**QUESTION:**

Using the appropriate cost driver **(TOTAL SALES)** use the high-low points method to calculate the variable rate and the fixed cost per month.

**HINT: You do not need Employee Hours to solve this!**