1. Aspen company produces widgets. August production costs are below:

Widgets produced 80,000  
 Direct material (variable) $20,000  
 Direct labor (variable) $40,000  
 Supplies (variable) $20,000  
 Supervision (fixed) $30,000  
 Depreciation (fixed) $25,000  
 Other (fixed) $5,000  
 Total $140,000

In September, Aspen expects to produce 100,000 widgets. Assuming no structural changes, what is Aspen’s production cost per widget for September?

1. $1.60
2. $1.75
3. $1.40
4. $1.00
5. Use cost information in 1) above. In August, the actual direct material costs were $24,000 and Aspen produced and sold 90,000 widgets. The direct material performance variance (difference) is?
6. $4,000 unfavorable
7. $4,000 favorable
8. $1,500 unfavorable
9. $1,500 favorable

3) The Wall Street Journal has the following monthly data for the newspapers sold and the total cost. Use the high-low method to determine the total cost that the Wall Street Journal will incur if it is forecasting to sell 750,000 newspapers in July.

**Month** **Issues Sold** **Total Cost**

January 1,000,000 $20,000,000

February 950,000 $19,100,000

March 1,050,000 $21,060,000

April 1,200,000 $23,000,000

May 1,060,000 $21,075,000

June 800,000 $18,000,000

1. $17,625,000
2. $17,500,000
3. $17,375,000
4. $17,250,000

4) XYZ Manufacturing produces car parts. The company has a variable cost per unit of $100 and fixed costs of $100,000. The company sells each car part for about $125. Recently, the company is considering increasing its advertising by $50,000 in order to sell more car parts. How many additional parts must the company sell in order to justify the increased advertising costs?

1. 2,000 units
2. 4,000 units
3. 6,000 units
4. Cannot be determined from the information provided.

5) ABC and XYZ Companies have the following sales, variable cost, and fixed cost. If sales increase by $10,000 at each company, then:

ABC XYZ

Sales $50,000 $50,000

Variable Costs $10,000 $30,000

Fixed Costs $30,000 $10,000

1. ABC profits will increase by $2,000.
2. XYZ profits will increase by $4,000.
3. ABC and XYZ profits will increase by $4,000 and $6,000.
4. XYZ profits will increase by $8,000.