1. ABC Inc pays there supervisors $100k, $200k and $300k for 100000, 200000, & 300000 units to be produced. ABC’s supervisors cost are fixed, variable, step, or mixed?
2. ABC Inc produces PC parts.

Variable cost per unit = $100 while their fixed costs = $100k. They sell each PC part for $125. If they want to increase their marketing by $50k in order to get more sales, how many addt’l PC parts does ABC have to sell to justify the increase in marketing?

3. ) If company A and B has the following sales, variable cost, and fixed cost. If sales increase by $10,000 at each company, then:

Company A has

Sales = $50k

Variable Costs = $10k

Fixed Costs = $30,000

Company B has

Sales = $50k

Variable Costs = $30k

Fixed Costs = $10k

Will company A’s profits increase by $2k

Will company’s B’s profits increase by $4k

Will both companies profits increase by $4k and $6k

or Will company B’s profits increase by $8k

4. Apple has the Iphone 3 and Iphone 4. The iphone 3 sells for $10k and has variable cost which includes the labr and materials of $2K. The iphone 3 requires 10hrs of time to produce. The Iphone 4 sells for $12k and has variable cost which include labor and materials of $8k and requires 2 hrs of time to produce. Apple has an excel of capacity that equals 5,000hours of production. Which Iphone should it produce and why as it relates to the contribution margin or contribution margin per hour?

5. ABC Company uses activitybased costing system with 3 activity cost-pools.

Cost: Wages and sals = $220k , Depreciation = $120k

Utilities: $100k

Total: $440k

Activity Cost Pools

Assembly Setting Up Other Total

Wages and salaries 60% 30% 10% 100%

Depreciation 35% 45% 20% 100%

Utilities 30% 40% 30% 100%

How much total-cost would b allocated to the assembly activity cost pool?

6. ABC Inc. has provided the following data from its activity-based costing system:

Activity Cost Pools Total Cost Total Activity

Designing products $387,539 6,512 product design hours

Setting up batches $45,389 786 batch set-ups

Assembling products $27,345 4,081 assembly hours

The activity rate for the “designing products” activity cost pool is?

7. ABC Corp owns an item that originally cost $50k. If sold as is, it could sell for $24,600 but if processed at a cost of $3,200, it could sell for $26,000. What is the incremental effect on ABC’s overall profit of processing and selling the item rather than selling it as is?

8. ABC Corp has $27 per unit in variable costs and $1M per year in fixed cost. Demand is guestimated to b 100,000 units annually. What is the price if ABC has a 40% markup on the total cost is used to determine the price?

9. ABC purchased some items, they are trying to resell the items but the items have now gone out-of-style and must be marked down to 20% of the original selling price inorder to be sold. Which of the following is the sunk cost in this case?

10. ABC corp uses cost plus pricing with a 50% markup. The company is currently selling 100,000 units @ $12perunit. Each of the units has a variable cost of $6. In addition, the company has $200k in fixed cost annually. If demand falls to 80k units but ABC corp wants to continue to earn their 50% return, what price should ABC charge?

11. ABC corp has a product that they sell with variable cost that equals $5 per-unit. They are unsure about what price they want to charge so that they can maximize their profit as the price that they charge will affect demand. If fixed cost = $100k and the following info represents the demand at various price levels, what should ABC charge so that they can maximize profits?

Units Sold Price

30,000 $10

40,000 $9

50,000 $8

60,000 $7

12. ABC corp has $39 per unit in varioable cost and $1,900,000 yearly in fixed cost. Demand is estimated at around 138,000 units annually. If a markup of 35% on total is used, what is the price?