We're using a different fictitious company for the last two modules, the managerial accounting portion of this course. Below find production and sales information for Lewis Company.

|  |  |
| --- | --- |
| Product information |    Prod B |
|   |   |
| Beginning inventory | 0   |
| Units produced |  10,000 |
| Units sold |  9,000 |
|   |   |
| **Selling price per unit** |  $300 |
| **Variable costs per unit** |   |
|   Direct material |  120 |
|   Direct labor |  60 |
|   Variable overhead |  40 |
|   Variable selling and administrative |  10 |
|   |   |
| **Fixed costs** |   |
|   Fixed manufacturing overhead |  250,000 |
|   Fixed selling and administrative |  100,000 |
|   |   |

|  |
| --- |
| Lewis Company |
| Absorption Income Statement |
| For the period ending Dec. 31, 2012 |
|   |   |
| Sales |  $2,700,000 |
| Cost of goods sold |  2,205,000 |
|   Gross profit (margin) |  $495,000 |
| Selling and administrative expenses |  180,000 |
|   Net income |  $315,000 |

**Required**:

Prepare a contribution margin (behavioral, variable) income statement for Lewis Company. Prepare a second version assuming the selling price per unit increases to $320 per unit.

Use the original information to:

* Determine the number of units the company must sell to break even for the year?
* Compute break even assuming direct materials cost increase from $120 to $140, but all information remains the same.