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.