BUSINESS

2023/2024

TEST AND REVIEW QUESTIONS

LESSON 6

1. Queenston, Inc. produces USB flash drives. Its fixed costs are $60,000 and its variable costs are $20 per USB flash drive. The price of the product is $100. Calculate:
    a. Break-even point.
    b. Break-even point if fixed costs were a half of the initial value.
2. The margin of PENQ, ltd. is €5 and if the company sold 500 units of product they would have €500 losses. Calculate the break-even point.
3. DB, Inc. gains €400 when it produces and sells 250 units of product. If it produced 900 units, it would have variable costs of €1,800. If DB sells its products at a price that doubles the variable cost per unit, calculate the break-even point.
4. Harry is a former real estate agent that aims to start a new career as professional potter. He plans to sell handmade pots with a plant inside. The selling product will be €10 per pot. Harry is appraising his project and he forecasts that his costs will be the following. Which sentence is CORRECT?

    Cost of labor/Pot: €3

    Materials/Pot: €5

    Plant: €1

    Kiln necessary to fire the pots: €30

    1. He will reach the break-even point selling 20 pots.
    2. Profits coming from selling the first 30 pots will be greater than 10€.
    3. If he sells 25 pots, he only could pass the break-even point if he renounces to put a plant inside the pot.
    4. The operating leverage will be 2 regardless of the number of products sold.

SOLUTIONS:

1. $750 and $375
2. 600 units of product
3. 50 units of product