Lesson 4-2 Practice Quiz

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# Lesson 4-2 Practice Quiz

*1/1 points earned (100%)*

**Excellent!**

*Correct 1/1 points*

1. The weighted-average contribution margin is computed for each product separately.

* A. TRUE
* **B. FALSE**
* Correct Response   
  That is correct! The weighted-average contribution margin is calculated using the sales mix for multiple products. That is, a single weighted-average contribution margin represents multiple products.

*Correct 1/1 points*

1. Garrett Company has the following information relating to its two products, product Red and product Blue.

Sales Table

|  |  |  |  |
| --- | --- | --- | --- |
| Product | Selling.price | Variable.cost | Fixed.cost |
| Red | $14 | $6 | $16,000 |
| Blue | $15 | $5 | $10,000 |

*Table 2 : Sales Table*

Assuming Garrett Company views each product separately, what is the break-even point for Red? For Blue?

* **A. 2,000 Units; 1,000 units**

Correct Response   
That is correct! Calculating the break-even point for each of the products separately is as follows:  
  
Red: $16,000 / ($14 – 6) = 2,000 Red units  
  
Blue: $10,000 / ($15 – 5) = 1,000 Blue units

* B. 1,500 Units; 1,000 units
* C. 2,500 Units; 2,000 units
* D. 3,000 Units; 2,000 units

*Correct 1/1 points*

1. Garrett Company has the following information relating to its two products, product Red and product Blue.

Sales Table

|  |  |  |  |
| --- | --- | --- | --- |
| Product | Selling.price | Variable.cost | Fixed.cost |
| Red | $14 | $6 | $16,000 |
| Blue | $15 | $5 | $10,000 |

*Table 3 : Sales Table*

If Garrett Company viewed its products in aggregate, what would the break-even point be if managers projected a 60% - 40% sales mix for Red and Blue, respectively? How about a 40% - 60% sales mix for Red and Blue, respectively.

* A. 2,444 units; 2,210 units (rounded)
* B. 3,000 units; 2,987 units (rounded)
* **C. 2,955 units; 2,826 units (rounded)**

Correct Response   
That is correct! Calculating the break-even point for the 60%-40% sales mix is as follows:  
  
Weighted-average CM: (.60 x ($14 – 6)) + (.40 x ($15 – 5) = $8.80 per composite unit  
Break-even: $26,000 / $8.80 per unit = 2,954.54 composite units   
  
For the 40%-60% sales mix, the calculation is similar:  
  
Weighted-average CM: (.40 x ($14 – 6)) + (.60 x ($15 – 5) = $9.20 per composite unit  
Break-even: $26,000 / $9.20 per unit = 2,826.09 composite units

* D. 2,667 units; 2,451 units (rounded)