Student name: _

Assume	
Unit price	$5.00
Unit variable cost	$3.00
Fixed costs	$100.00
Budgeted volume	100 units
Fixed cost per unit	$100/100=$1.00
Full cost per unit	$3.00+$1.00=$4.00

LANDAU COMPANY

Exhibit A: Absorption versus Variable Costing Worksheet

Last year the company produced 100 units. The beginning inventory is from last year's production

Assumption: LIFO: Sell the new products first

	1	2	3	4	5	6	7	8	9
	S=P			S>P			S<P		
Sales(S)	100	80	110	115	90	125	90	75	100
Production	100	80	110	100	80	110	100	80	110
Revenue	500	$400	550	575	$450	625	450	$375	500
Absorption Costing		$(\$3+\frac{100}{80})\times 80$			$(\$3+\frac{100}{80})\times 80+(\$3+\frac{100}{100})\times 10$			$(\$3+\frac{100}{80})\times 75$	
Cost of goods sold	(400)	($340)	(430)	(460)	($380)	(490)	(360)	($318.8)	(390.9)
Profit	$100	$60	$120	$115	$70	135	90	$56.2	$109.1
Variable Costing		$3×80			$3×90			$3×75	
Cost of goods sold	(300)	(240)	(330)	(345)	(270)	(375)	(270)	($225)	(300)
Contribution	$200	$160	$220	$230	$180	$250	180	$150	200
Fixed costs	(100)	($100)	(100)	(100)	($100)	($100)	(100)	($100)	(100)
Profit	$100	$60	$120	$130	$80	$150	$80	$50	100

Diff = 0

Diff = $10

(FMOH Allocated to the 10 units produced in last Year)

Diff = 6.2

FMOH contained in the 5 units $\frac{100}{80}\times 5$