**Question 1:**

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| --- | --- | --- | --- |
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| **Shantz Corporation has provided the following data concerning last month's operations.** | | | |
|  |  |  |  |
|  | Purchases of raw materials | $43,000 |  |
|  | Indirect raw materials included in manufacturing overhead | $8,500 |  |
|  | Direct labor cost | $58,000 |  |
|  | Manufacturing overhead cost incurred | $99,000 |  |
|  |  |  |  |
|  | **Inventories:** | **Beginning** | **Ending** |
|  | Raw materials inventory | $12,000 | $16,000 |
|  | Work in process inventory | $48,000 | $53,000 |
|  | Finished goods inventory | $41,000 | $47,000 |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
| **Required:** | |  |  |
| (a) Calculate the Cost of Goods Manufactured for the month. | | | |
| (b) Calculate the Cost of Goods Sold for the month. | |  |  |

**Question 2:**

AgroPharm Corp. manufactures pharmaceutical products that are sold through a network of external sales agents. The agents are paid a commission of 18% of revenues (i.e., a variable cost) and a fixed total basic salary of $5,250,000. Agropharm is considering replacing the sales agents with its own salespeople, who would be paid a commission of 12% revenues and a fixed total basic salary of $7,950,000. The income statement for the year ending December 31, 2020, under the two scenarios is shown here: (see the columns under “Using Sales Agents” vs those under “Using Own Sales Force”).



**Required:**

Calculate the company’s 2020 contribution margin ratio, break-even revenues, and the degree of operating leverage under the two scenarios, respectively.