

QUIZ CONTRIBUTION MARGIN

<https://www.harpercollege.edu/academic-support/tutoring/subjects/Chapter%206%20Questions.pdf>

1. CVP Analysis is an important decision making tool for which reason?

- a) Determining product mix
- b) Setting selling price
- c) Maximizing use of facilities
- d) All of the above

2. A Company has a contribution margin of 40% and fixed costs of \$120,000. What is the break-even point in dollars?

- a) \$48,000
- b) \$300,000
- c) \$200,000
- d) \$72,000

3. P Company has fixed costs of \$200,000, sales price of \$50, and variable cost of \$30 per unit. How many units must be sold to earn profit of \$50,000?

- a) 2,500
- b) 10,000
- c) 12,500
- d) 25,000

4. B Company has fixed costs of \$20,000 and a contribution margin ratio of 40%. Currently, sales are \$75,000. What is Bowl's margin of safety?

- a) \$20,000
- b) \$25,000
- c) \$30,000

d) \$50,000

5. Z Company makes two different products, Product A and Product B. They currently sell 2,000 units of product A and 3,000 units of product B. What is the sales mix percentages?

a) Product A= 40%, Product B= 60%

b) Product A= 60%, Product B= 40%

c) Product A= 67%, Product B= 33%

d) Product A= 33%, Product B= 67%

6. Degree of operating leverage is calculated as

a) Net income divided by contribution margin

b) Break-even sales divided by net income.

c) Net income divided by break-even sales.

d) Contribution margin divided by net income

7. N Company sells two products. Product A sells for \$100 per unit, and has unit variable costs of \$60. Product B sells for \$70 per unit, and has unit variable costs of \$50. Currently, N Company sells three units of product A for every one unit of product B sold. N Company has fixed costs of \$750,000. How many units would N Company have to sell to earn a profit of \$300,000?

a) 7,500 units of A and 22,500 units of B

b) 22,500 units of A and 7,500 units of B

c) 17,600 units of A and 12,400 units of B

d) 12,400 units of A and 17,600 units of B