connect ACCOUNTING **Exercises**

All applicable exercises are available with McGraw-Hill's *Connect® Accounting*.

EXERCISE 4–1 Preparing a Contribution Format Income Statement [LO1]
Whirly Corporation's most recent income statement is shown below:

	Total	Per Unit
Sales (10,000 units)	$350,000	$35.00
Variable expenses	200,000	20.00
Contribution margin	150,000	$15.00
Fixed expenses	135,000	
Net operating income	$ 15,000	

Required:
Prepare a new contribution format income statement under each of the following conditions (consider each case independently):
1. The sales volume increases by 100 units.
2. The sales volume decreases by 100 units.
3. The sales volume is 9,000 units.

EXERCISE 4–2 Prepare a Cost-Volume-Profit (CVP) Graph [LO2]
Karlik Enterprises distributes a single product whose selling price is $24 and whose variable expense is $18 per unit. The company's monthly fixed expense is $24,000.

Required:
1. Prepare a cost-volume-profit graph for the company up to a sales level of 8,000 units.
2. Estimate the company's break-even point in unit sales using your cost-volume-profit graph.

EXERCISE 4–3 Prepare a Profit Graph [LO2]
Jaffre Enterprises distributes a single product whose selling price is $16 and whose variable expense is $11 per unit. The company's fixed expense is $16,000 per month.

Required:
1. Prepare a profit graph for the company up to a sales level of 4,000 units.
2. Estimate the company's break-even point in unit sales using your profit graph.

EXERCISE 4–4 Computing and Using the CM Ratio [LO3]
Last month when Holiday Creations, Inc., sold 50,000 units, total sales were $200,000, total variable expenses were $120,000, and fixed expenses were $65,000.

Required:
1. What is the company's contribution margin (CM) ratio?
2. Estimate the change in the company's net operating income if it were to increase its total sales by $1,000.

EXERCISE 4–5 Changes in Variable Costs, Fixed Costs, Selling Price, and Volume [LO4]
Data for Hermann Corporation are shown below:

	Per Unit	Percent of Sales
Selling price	$90	100%
Variable expenses	63	70
Contribution margin	$27	30%

Fixed expenses are $30,000 per month and the company is selling 2,000 units per month.