**AC202 QUIZ 4**

**Name:**
**Student ID#:**

1. Upchurch Corporation produces and sells a single product. Data concerning that product appear below:

| | |
|---|---|
| Selling price per unit……………... | $100 |
| Variable expense per unit………... | $34 |
| Fixed expenses per month……….. | $312,180 |

Assume the company's monthly target profit is $14,000. The dollar sales to attain that target profit is closest to:
a. $326,180
b. $593,248
**c. $494,212**
d. $959,353

2. Which statement is incorrect?
**a. If the variable expense per unit increases, and all other factors remain constant, the contribution margin ratio will increase.**
b. One way to compute the total contribution margin is to add total fixed expenses to net operating income.
c. On a CVP graph for a profitable company, the total revenue line will be steeper than the total cost line.
d. The impact on net operating income of any given dollar change in total sales can be estimated by multiplying the CM ratio by the dollar change in total sales.

3. How much will a company's net operating income change if it undertakes an advertising campaign given the following data:

| | |
|---|---|
| Cost of advertising campaign……………………… | $25,000 |
| Variable expense as a percentage of sales………… | 42% |
| Increase in sales…………………………………… | $60,000 |

a. $200 increase
**b. $9,800 increase**
c. $15,000 increase
d. $25,200 increase

4. Which of the following statements is correct with regard to a CVP graph?
a. A CVP graph shows the maximum possible profit.
b. A CVP graph shows the operating leverage as the gap between total sales revenue and total expense at the actual level of sales.
c. A CVP graph assumes that total expense varies in direct proportion to unit sales.
**d. A CVP graph shows the break-even point as the intersection of the total sales revenue line and the total expense line.**