

CMA USA Part 2

Time left: 59:45

1.

Buckeye Grain, a corn and wheat processing company, has decided to introduce a new product that can be manufactured by either a capital-intensive method or a labor-intensive method. The method chosen will have no effect on the quality of the finished product. Estimated costs for the two methods are as follows.

	Capital-intensive	Labor-intensive
Direct raw materials per unit	\$10.00	\$11.20
Direct labor (\$24/hour) per unit	12.00	14.40
Variable overhead (\$12/hour) per unit	6.00	9.60
Total fixed costs	\$4,880,000	\$2,640,000

Buckeye Grain sells the new product at \$60 per unit during its initial stage of product life cycle. The

Required:

1. Calculate the estimated breakeven point in annual unit sales of the new product if the company uses the capital-intensive manufacturing method and labor-intensive manufacturing method, respectively. Show your calculations.
2. Calculate the annual unit sales volume at which the company would be indifferent between the two manufacturing methods. Show your calculations.
3. Explain how the level of sales can affect the company's choice of manufacturing method.
4. Identify the four stages of the product life cycle.
5. Identify the pricing strategy that the company might use when the new product is in its second stage of the product life cycle. Explain your answer.
6. Explain operating leverage and its relationship with business risk.

Next > Finish Test

Time left: 2:59:37

2. During the year ended June 30, 20X5, Dixon's Dog Supplies earned gross profit of \$25,000, which represented a markup on cost of 50%. Opening inventory was \$3,000 and closing inventory was \$5,000. The inventory turnover ratio was

A. 12.50 times.

B. 6.25 times.

C. 5.00 times.

D. 2.78 times.

Question 2 of 100

< Previous Next > Finish Test