**Exam 2 MC - 35 MC questions from Chapters 3 and 6**

**Exam 2 Pro - 1 true false - 1 essay - 3 problems**

1) I agree to the following statement: I am enrolled in this course and completing this exam for myself. I am completing my own work and not discussing the content of this exam with anyone. I understand that violations of this policy will result in a 0.0 in the course.

2) In a brief but complete paragraph using your OWN words describe

the difference between fixed costs and variable costs.

3) Smiley and Co. is a photography studio that offers photo shoots in studio.

Below is a summary of activity and costs for the first sixth months of the year:

|  |  |  |
| --- | --- | --- |
| Month | Photo Shoots | Costs |
| January | 30 | $38,000 |
| February | 20 | $36,000 |
| March | 60 | $40,000 |
| April | 90 | $40,300 |
| May | 120 | $40,500 |
| June | 200 | $50,200 |

Requirements:

1. Estimate the variable costs per photo shoot and the fixed costs per month.

2. What would total costs be if Smiley had 90 photo shoots scheduled in July?

3. If Smiley charges $150 per shoot, how many photo shoots do they have to sell to earn a $10,000 monthly profit?

4) The following information is available for the publisher of “Frank the Cow Dog” Children’s Books:

Variable cost: $10.00 per book

Sales price: $15.00 per book

Fixed costs: $35,000 per year

These costs apply over a relevant range of the production of one book to the production of 40,000 books.

**Required:**

**A)** What is the contribution margin per unit?

**B)** What would operating income be at a sales level of 15,000 books?

**C)** What is the breakeven point in units?

**D)** Ignore the sales price of $15 per book. What would the sales price have to be for the publisher to earn operating income of $165,000 on sales of 25,000 books?

5) Eliza sells flowers in Covent Garden. Her fixed costs are $50 per day. Her average sales price is $4 per flower. She is currently selling 400 flowers per day. Her current variable cost is $3 per flower. Eliza anticipates that her daily sales will increase to 500 flowers per day. How much could her variable cost per flower *increase* for her to still earn the same daily profits as before?



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