

Name:

Date:

Class:

Lesson 11.3

Practice Your Understanding

1. Distinguish whether the following expenses should be classified as *fixed* or *variable*. (11.3-1)
 - a. A manufacturing company pays a salary to the manager who oversees the production line.
Answer:
 - b. A business owner pays \$500 monthly for a loan used to purchase manufacturing machinery.
Answer:
 - c. A baker is paid \$20.00 an hour to decorate cakes.
Answer:
 - d. A salesperson is paid a 10-percent commission to sell alarm systems to homeowners.
Answer:
 - e. A clothing boutique owner pays their monthly electric bill for the store, which is not impacted by production.
Answer:
 - f. An entrepreneur who sells handmade furniture purchases wood, nails, sandpaper, and paint for their next product creation.
Answer:
2. A painting sells for \$500. The paint, canvas, and brushes to produce the painting cost \$15. When sold, a salesperson earns a 10-percent commission. Determine the

contribution margin if the painting took ten hours to create at the expense of \$30 an hour. (11.3-2)

Answer:

3. An advertising agency pays \$3000 in fixed expenses each month. Calculate the break-even point if their contribution margin per unit of sale is \$25. (11.3-3)

Answer: