

WOLOWITZ FURNITURE COMPANY

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The Wolowitz Furniture Company manufactures wooden chairs.

We are at the end of November 20X0. The economic results achieved so far are summarized in the following table:

Quantity Made	5,410
Quantity Sold	5,220
Sales Revenues	\$1,041,100
Wood Beginning Inventory	\$10,550
Cost of Wood Purchased	\$93,000
Wood Ending Inventory	\$3,490
Nails, Glue and Stain	\$23,140
Fixed Manufacturing Overhead	\$379,000
Variable Selling Costs	\$39,864
Fixed Selling Costs	\$74,000
Variable Shipping Costs	\$26,595
Fixed Shipping Costs	\$8,000
General & Administrative Costs	\$263,405

Direct labour is provided by four workers each of whom contractually provides 2020 hours per year of potential capacity. The quantity of total hours absorbed by production at this time is 6,160. The total annual direct labour cost is \$ 161,600 if there is no overtime.

The values of the fixed costs considered in the table refer to the whole year.

You are the General Manager of the company and you are worried about the results that are emerging. You decide, therefore, to calculate the economic result at the current date and to determine the company's break-even point.

In the meanwhile, the Production Manager informs you that in December, the available direct labour hours would still allow the production of a maximum of 125 chairs. Since your bonus will only be paid out if there is a positive EBIT, what do you decide to do?

You are required to:

1. Provide the traditional income statement at the end of November for the company, both using the "cost of goods sold" format and the "total output format"
2. Prepare an alternative income statement in which the contribution margin is shown.
3. Find out the break event point for the company
4. Determine if the quantity of wood present in stock is sufficient to guarantee the production of 125 additional chairs
5. Provide the traditional income statement at year end for the company, using both the "cost of goods sold" format and the "total output format", in the hypothesis that the 125 incremental chairs are made.