**Example 1**

|  |  |
| --- | --- |
| **Items** | **Units** |
| Annual production | 100 000 pcs |
| Unit material costs | 100 CZK |
| Unit direct wages | 20 CZK |
| Unit variable production overhead | 100 % of direct wages |
| Production machine leasing | 500 000 CZK |
| Contribution to the payment of fixed costs and the creation of profit | 5 000 000 CZK |
| Recommended price by the marketing department | 190 CZK – 210 CZK |

* What will be the proposed price of the product?

**Example 2**

In the company, the following unit cost calculation is currently valid for the product marked as ABC, which is valid for 50.000 products (CZK/piece):

|  |  |
| --- | --- |
| **Items** | **Units** |
| Selling price of the product | 500 |
| Variable costs | 300 |
| Contribution margin | 200 |
| Fixed costs of the assigned product | 120 |
| Profit per product | 80 |

|  |  |
| --- | --- |
| **Items** | **Units** |
| The newly agreed number of manufactured products | 2x more |
| Reduced unit price | 400 CZK/piece |
| An increase in total fixed costs | 50 % |
| Reduction of unit variable costs | 20 % |

The management of the company is considering a new situation where they managed to acquire a new large customer. All information is provided in the following table.

* Determine the unit costing for the new situation and the change in total profit.

**Example 3**

The company produces one type of product A. The preliminary calculation of full costs is based on the assumption that the volume of production and sales will be 50.000 pieces in the monitored period and includes the following items:

|  |  |
| --- | --- |
| **Items** | **CZK/piece** |
| Direct (unit) material | 30 |
| Direct (unit) personnel costs | 10 |
| Manufacturing overhead (2.500.000/50.000) | 50 |
| Full cost of production (total cost) | **90** |

During a more detailed analysis of production overhead, it was found that only a fifth of it has a variable nature. The remaining part consists of fixed costs, which are an expression of the created production capacity. This enables maximum production for the monitored period in the range of 60.000 pieces.

* Find the average cost of production per unit of product A produced and sold when 40.000 units and 60.000 units are produced and sold.