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

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.

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 %

- 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.