

Break Even

The BIG AP Corporation distributes software for the iPhone and iPad market. Each unit of software requires \$4 per unit of direct labor to manage web traffic and a \$2 per unit royalty fee to Apple Inc. The marketing department estimates monthly sales to be 10,000 units selling at \$10 per unit. The company must cover monthly overhead costs of Rent (\$6,000), Utilities (\$2,000), and Management (\$3,500).

1. What are the total monthly fixed costs?
2. What are total variable costs?
3. What is the monthly break-even quantity?