Answer the following questions:

Question No.1:

The controller of the Ijiri Company wants you to estimate a cost function from the following two observations in a general ledger account called Maintenance:

Month	Machine-Hours	Maintenance Costs Incurred
January	6000	$4000
February	10000	5400

Required:

1. Estimate the cost function for maintenance.

2. Can the constant in the cost function be used as an estimate of fixed maintenance cost per month? Explain.

Question No.2:

The Pacific Corporation operates car rental agencies at more than 20 airports. Customers can choose from one of three contracts for car rentals of one day or less:

- Contract 1: $50 for the day.
- Contract 2: $30 for the day plus $0.20 per mile traveled.
- Contract 3: $1 per mile traveled.

Required:

1. Plot separate graphs for each of the three contracts, with costs on the vertical axis and miles traveled on the horizontal axis.

2. Express each contract as a linear cost function of the form $y = a + bx$.

3. Identify each contract as a variable-, fixed-, or mixed-cost function.

Question No.3:

Given the following balances for Ronnie Company on December 31, 2016, **prepare a classified balance sheet.**

Accounts payable	11,200	Accounts receivable	9,800
Additional capital	24,000	Owner's Capital	28,900
Cash	7,400	Building	67,600
Interest payable	2,400	Inventory	13,600
Long-term note payable	28,000	Prepaid rent	2,500
Wages payable	6,400		

Question No.4:

A student association has hired a band and a caterer for a graduation party. The band will charge a fixed fee of $1,000 for an evening of music, and the caterer will charge a fixed fee of $600 for the party setup and an additional $9 per person who attends. Snacks and soft drinks will be provided by the caterer for the duration of the party. Students attending the party will pay $5 each at the door.

Requirements:

1. Draw a graph describing the fixed cost, the variable cost, and the total cost to the student association for different attendance levels.

2. Suppose 100 people attend the party. What is the total cost to the student association? What is the cost per person?

3. Suppose 500 people attend the party. What are the total cost to the student association and the cost per attendee?

With my best wishes   Dr. Heba Besher