

## B-18.07

Quintanilla Corporation's controller is preparing a business plan for 20X7. The anticipated level of business activity consists of the following key cost factors:

Total fixed costs	\$2,400,000
Total variable costs	1,500,000
Total revenues	4,500,000

Quintanilla's Bank has issued an economic advisory report suggesting that companies should anticipate a severe economic downturn during 20X7.

- (a) Determine the level of volume reduction that Quintanilla can absorb before becoming unprofitable.
- (b) Distinguish between committed fixed costs and discretionary fixed costs. What is the importance of this distinction in planning for business cycles?