Greg Morrison recently graduated from mortuary school. He is considering opening his own funeral home. A funeral home is a high-fixed cost business, as it requires considerable expenditures for facilities, labor, and equipment, no matter how many families are served.

Assume the annual fixed cost of operations is $800,000. Further assume that the only significant variable cost relates to burial containers like urns and caskets. An average casket costs $1,200. Greg's banker has asked a variety of questions in contemplation of providing a loan for this business.

(a) If the average family is charged $6,000 for services and a burial container, how many families must be served to clear the break-even point?

(b) If the banker believes Greg will only serve 100 families during the first year in business, how much will the business lose during its first year of operation?

(c) If Greg believes his profits will be at least $100,000 during the first year, how much is he anticipating for total revenue?

(d) The banker has suggested that Greg can reduce his fixed costs by $150,000 if he will not buy any vehicles. Greg can instead rent vehicles as needed. The variable cost of renting is $700 per family served. Will this suggestion help Greg reach the break-even point sooner?