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?