Accounting slp 02 my company is walmart

Break-Even Analysis Wal-Mart is a prominent in the sector of retail industry. It sells over 15000 items consisting of dry and frozen food items, electronic appliances, and many other stuff that are used in daily life. Wal-Mart is founded on the slogan; save people money so that they can live better.

The activity that has been selected is for electronic items and appliances which mainly consist of Mp3 players, Ipods, PCs, Laptops, Microwave ovens, Cameras, and other electronic stuffs. The time frame for this activity is 12 months or 1 year.

Inputs

Since the Wal-Mart does not manufacture the products itself (merchandising organization) so the major variable cost consists of only the cost of inventory. Fixed costs are classified as Selling & Administrative expenses (Wages and Salaries of Executives, Advertising expense, Insurance costs, maintenance costs, rent,), non-operating expenses (interest, losses and damages, inventory obsolescence charge) and depreciation & amortization.

Average revenue per unit (electronic items) $300

Variable cost:

Cost of Inventory $264, 000, 000

Fixed Costs:

Selling & Administrative Expenses $58, 500, 000

Non-operating expenses $1, 819, 000

Depreciation & Amortization $5, 459, 000

Break-Even Analysis

At Break-Even point

Total Revenue – Total Cost = 0

(AR)(Q) – (VC+FC) = 0 (where AR= Average Revenue and Q= Quantity)

(300Q) – (264, 000, 000 + 58, 500, 000 + 1, 819, 000 + 5, 459, 000) = 0

(300Q) – (329, 778, 000) = 0

300Q = 329, 778, 000

Q = 329, 778, 000/300

Q = 1, 099, 260 units

Wal-Mart needs to sale at least 1, 099, 260 units of electronic items at an average price of $300 to start making profit. Sales of units lower than that amount will result in loss.

Works Cited

Helmkamp, John G. Managerial Accounting. UK: John Wiley & Sons, 1992