## Culture

## ASSIGN <br> B <br> USTER

Question 2-48| 2006| 10\% increase| 2007| Net Sales| 68, 222. 00 | 6, 822. $20 \mid 75,044$.
$20 \mid$ Cost of product sold| $33,125.00|3,312.50| 36,437.50 \mid$ Selling, gen \& Admin| 21, 848. 00 || 21, 848. 00 | Operating Income| 13, 249.
$00|?| 16,758.70|\%| 19.42| | 22.33| || | \mid$ The percentage of income differs from the increase in sales because the selling, general, and administrative expenses remained constant while the company produced 10\% more product. Because the company only increased the direct costs associated with production, the numbers reflect more efficiency as the percentage of operating income increased from 19.

42 to 22. 33 percent.
—————————Question 2-61 || Old| | New| | Unit variable cost| ||||| Material| | $0.88 \mid$ | 0.

88| | Labor| | 1. 22|| 0. 22|| Total per unit| | 2. 1| ? | 1. 1||||||| Monthly fixed| ||||| Rent| | 450000| | 875000| | super labor|| 80000|| 175000|| other|| 50000|| 90000|| Total|| 580000| ? | 1140000||||||||3|||||| Profit @3. 10| 600, $000|1,260,000||660,000||1860000||580,000| \mid 1$, 140, 000 ||||1, 840, $000||1,800,000|||||||||20,000|| 60,000|||$ |||||Contributed margin| 1|| $2 \mid$ ||||||| Break even - || 580000|| 570000| ||||||| Based on this calculation, 600, 000 units are enough to see profits. 600, 000*2. 1 ??" fixed expenses generated a profit of 20, 000.

600, 000*1. 1 ??" fixed expenses generated a 60, 000 profit. 2 ??" Break even is fixed costs/unit contribution margin ??" $580000 / 1=580000$ for old and $1140000 / 2=570000$ for newContribution margin = unit sale price ??" unit variable cost. 3 .

10-2. $1=1$ for old method and 3. 10-1. $1=2$ for new method3 ??" If profits fall to 500, 000 the old way will generate a loss of 800,000 and the new way a loss of 140,000 . These losses are due to the sales numbers falling below the break even threshold for each production operation.

4 ??" If profits are 700, 000 the old way generates a profit of 120,000 and the new way 260,000 . This difference in profit can be contributed to the lower variable cost as automation is more efficient despite the higher fixed cost that does not change with the increased production. 5 ??" There is a definite risk factor with the new production because to see the necessary profits, there has to be a higher demand for the product since the variable cost of 1.1 per unit in the long run contributes substantially to the increased bottom line.

In the event the demand falls the new production will be subjected to much higher losses.

[^0]\$110, 000 | $\$ 110,000|\$ 110,000|| || |$ Break even in units| $2,500 \mid 1,486$ | 2, 200 | |||| Break even in dollars| $\$ 247,500$ | \$191, 757 | $\$ 217,800$ |||| ||||| 1 ??" The break even points in units are 2500 and 247500 in dollars2 ??" The increased selling price allowed for greater profit margin which reduced the break even points in both units and dollars3 - The 6.00 change in variable cost did reduce the break even points compared to Proposal A which would indicate some efficiency occurred to reduce the variable cost. When comparing to Proposal $B$ the impact wasn?? ${ }^{\text {TM } t ~ a s ~}$ significant because the sale price remained consistent with Proposal A verse the 30.00 increase in sale price shown in Proposal B; which allows for greater profit margin.


[^0]:    -Question 2-65 Chapter 2 Decision Guideline| Proposal A|
    Proposal B| Proposal C| Phonetronix| ||| Cost-Volume-Profit (CVP) Analysis|| || Todays Date 4/18||||||||||||||| Selling Price| \$99|\$129|\$99| Variable cost| 55 | 55 | 49 | Contribution margin| \$44 | \$74 | \$50 | Contribution margin ratio| 44. 44\%| 57. 36\%| 50. 51\%||||| Fixed Cost|

