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Finance and Accounting al Affiliation) Contribution = Unit selling price – Variable Cost = $12 - $0. 40 = $11. 60 Therefore, contribution is margin per haircut is $11. 60.   
  
Break-even point = Fixed cost / contribution   
Fixed cost = (9. 90 \* 5 \* 40 \* 50) + (1750 \* 12)   
= $120000   
Break-even point = 120000 / 11. 60   
= 10345 units   
Break-even point is 10345 units   
Operating Income Calculation:   
Revenue = ($12 \* 20000) = $240000   
Less:   
Variable Cost = ($0. 4 \* 20000) = $8000   
Fixed Cost = $120000   
Operating Income = $ 112000   
The operating income is $112000   
Revision of compensation method:   
New Contribution = $12 – ($6 +$0. 4)   
= $5. 6   
The new contribution margin per hair cut is $5. 6   
Break-point = (21000 + (4\*5\*40\*50)) / 5. 6   
= 10893   
The annual break-even point is 10893 units   
References   
Epstein, M., & Lee, J. (2011). Advances in management accounting. Bingley, UK: Emerald.   
Horngren, C. (1999). Management and cost accounting. London: Prentice Hall Europe.