

# [Contribution margin and revenue](https://assignbuster.com/contribution-margin-and-revenue/)

[Business](https://assignbuster.com/essay-subjects/business/)

Question 1: Compute the revenue, variable expense and contribution margin for each cruise. Revenue value: The revenue is determined by multiplying the quantity by the price, in this case the quantity value is equal to the number of tourist.

Therefore Revenue = P\*Q. When calculating the revenue where P = $100 and Q = 30 Revenue = $100\*30 = $3, 000 Revenue =$3, 000 Variable expenses value: The variable expenses include: Labor expenses- include 6 experienced university graduates: For each trip 6 are required Each is paid $100 per trip Therefore for each trip the total labor cost is: Labor cost = umber of employed\*cost per unit Labor cost = 6\*$100 Labor cost = $600 Refreshments: Tourist are offered refreshments, the cost per person is $25 Refreshments cost = $25 Total refreshments cost = cost per unit \* number of tourist Number of tourists = 30 Total refreshment cost = $25\*30Total refreshment cost = $450 Other operating expenses (including fuel cost) Other expenses =$50 per trip Total expenses = labor expenses + refreshment costs + other operating expenses Total expenses = (6\*$100) + ($25\*30) + ($50) Total expenses = $600+$450+$50 Total expenses =$1, 100 Contribution margin: The differeence between total revenue and total variable expenses is referred to as the contribution margin, in this case given the total number of tourists = 30 Total revenue = $3000 Total variable expenses = $1, 100 Contribution margin = 3, 000 – 1, 100 Contribution margin for each trip is = $1, 900From the above calculations the following values were determined: Total revenue = $3, 000 Total variable expenses = $1, 100 Contribution margin = $1, 900 This means that given the average number of tourists per cruise was 30, the revenue per cruise was $3, 000. Also given the same number of tourists the variable expenses per cruise was $1, 100 and given these two values the contribution margin was $1, 900 per cruise.