Question: Problem 5-3 Determine break-even point under varying assu...

Problem 5-3 Determine break-even point under varying assumptions (L.O. 3, 4)

The management of Bootleg Company wants to know the break-even point for its new line of hiking boots under each of the following independent assumptions. The selling price is $50 per paid of boots unless otherwise stated. (Each pair of boots in one unit.)

Fixed costs are $300,000; variable cost is $30 per unit
Fixed costs are $300,000; variable cost is $20 per unit
Fixed costs are $250,000; variable cost is $20 per unit
Fixed costs are $250,000; selling price is $40; and variable cost is $30 per unit

Compute the break-even point in units and sales dollars for each of the four independent cases.

Problem 5-4 Determine the margin of safety (L.O. 5)

Refer to Problem 5-3. Bootleg Company's sales are $1,100,000. Determine the margin of safety in dollars for cases (a) through (d).

Problem 5-5 Compute the level of sales dollars needed to achieve a specified level of income (L.O. 6)

Using the data in Problem 5-3 (a through d), determine the level of sales dollars required to achieve a net income of $125,000.

Expert Answer

Anonymous answered this
863 answers

		SITUATION 1	SITUATION 2	SITUATION 3	SITUATION 4
a	SELLING PRICE PER UNIT	50	50	50	40
b	VARIABLE COST PER UNIT	(30)	(20)	(20)	(30)
c = a-b	CONTRIBUTION PER UNIT	20	30	30	10
d = (c/a)*100	PROFIT VOLUME RATIO	40%	60%	60%	25%
e	FIXED COST	300000	300000	250000	250000
f = (e/c)	**BREAK EVEN POINT (UNITS)**	**15000**	**10000**	**8333**	**25000**
g = (e/d)	**BREAK EVEN POINT (SALES)**	**750000**	**500000**	**416667**	**1000000**

Break even point (units) = Fixed Cost / Contribution per unit

Break even point (sales) = Fixed Cost / Profit Volme Ratio

		SITUATION 1	SITUATION 2	SITUATION 3	SITUATION 4
a	SALES	1100000	1100000	1100000	1100000
b	BREAK EVEN POINT (SALES)	750000	500000	416667	1000000

Margin of Safety = Sales - Break Even Sales

(Note: Break Even sales calculated in Table 1 above)

		SITUATION 1	SITUATION 2	SITUATION 3	SITUATION 4
a	FIXED COST	300000	300000	250000	250000
b	EXPECTED PROFIT	125000	125000	125000	125000
c	PROFIT VOLUME RATIO	40%	60%	60%	25%
d = (a+b)/c	**LEVEL OF SALES REQUIRED**	**1062500**	**708333**	**625000**	**1500000**

Level of Sales required = (Fixed Cost + Expected Profit) / Profit Volme Ratio

Comment

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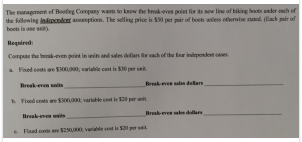
The management of Bootleg Company wants to know the



See answer

XYZ Company prices its products by adding 30% to its cost. XYZ anticipates sales of $715,000 in March, $728,000 in April, and $624,000 in May. XYZ's

See answer

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Q: Need help solving a-d if so could you do on excel.

A: See answer 100% (1 rating)

Q: A tank has a hole in the bottom with a cross-sectional area of 0.0025 m and an inlet on one side with a cross-sectional area of 0.0025 m2, as shown in Fig. 6. The cross-sectional area of the tank is 0.1 nr. The velocity of the liquid flowing out of the bottom hole is V =sqrt2gh where h is the height of the water surface in the tank above the outlet. At a certain time the surface...

A: See answer 94% (16 ratings)

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