

**ACCT 2301, SU1 2009: In Class Assignment 1 (Individual)**

**Student ID (R Number)** \_\_\_\_\_

1. The Wry Company has sales of \$200,000 (*number varies*) with variable costs totaling \$150,000 (*number varies*) and fixed costs of \$40,000 (*number varies*). By how much would sales have to increase to achieve breakeven?

Correct Common Sense Answer R00395570: “Sales would not have to increase. There is already a profit of \$X (depends on the numbers).

Correct Mathematical Answer: Contribution Margin / Sales =  $\frac{1}{4}$ .

$$\frac{1}{4} * \text{Sales} - \$40,000 = 0; \quad \text{Sales} = \$160,000$$

**Sales could decrease by \$40,000 and still breakeven.**

2. If fixed costs are \$1,000,000 and variable costs are 75% of sales (*percentage varies*), what is the break-even point (dollars)?

Correct Mathematical Answer: Contribution Margin Ratio = 25% (you ‘keep’ 25 cents for every dollar sold).

$$25\% * \text{Sales} = \$1,000,000$$

**Sales = \$4 million**

3. Shandling Company had operating income of \$70,000, sales of \$500,000, and turnover of 0.5. What is Shandling’s ROI? (*Numbers vary w/ version*)

Correct Answer:

$$\text{ROI} = \text{profit} / \text{investment} = \text{profit} / \text{sales} \times \text{sales} / \text{investment} = \text{margin} \times \text{turnover}$$

$$\text{ROI} = \$70 / \$500 \times 0.5 = \mathbf{7\%}$$

4. Bobick Company provided the following information for last year:

Operating income	<b>\$50,000</b>
Sales	<b>\$200,000</b>
Average operating assets	<b>\$400,000</b>

What was Bobick’s margin for last year?

$$\text{Answer} : \$50 / \$200 = \mathbf{25\%}$$