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**E18-21 (L. OBJ. 4) Computing margin of safety [15 min]**

Ronnie's Repair Shop has a monthly target operating income of \$17,000. Variable costs are 80% of sales, and monthly fixed costs are \$12,000.

**Requirements**

1. Compute the monthly margin of safety in dollars if the shop achieves its income goal.
2. Express Ronnie's margin of safety as a percentage of target sales.

**E18-22 (L. OBJ. 5) Calculating breakeven point for two product lines [15–20 min]**

Scotty's Scooters plans to sell a standard scooter for \$40 and a chrome scooter for \$50. Scotty's purchases the standard scooter for \$25 and the chrome scooter for \$30. Scotty expects to sell two standard scooters for every three chrome scooters. His monthly fixed costs are \$18,900.

**Requirements**

1. How many of each type of scooter must Scotty's Scooters sell each month to break even?
2. To earn \$14,400?

## ■ Problem (Group A)

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**P18-23A (L. OBJ. 1, 2, 3) Calculating cost-volume profit elements [45–60 min]**

The budgets of four companies yield the following information:

	Company			
	North	South	East	West
Sales revenue	\$ 710,000	\$ (4)	\$ 600,000	\$ (10)
Variable costs	(1)	150,000	288,000	160,160
Fixed costs	(2)	121,000	139,000	(11)
Operating income (loss)	\$ 13,800	\$ (5)	\$ (7)	\$ 42,840
Units sold	190,000	10,000	(8)	(12)
Contribution margin per unit	\$ 1.42	\$ (6)	\$ 97.50	\$ 14.72
Contribution margin ratio	(3)	0.20	(9)	0.23

**Requirements**

1. Fill in the blanks for each missing value.
2. Which company has the lowest breakeven point in sales dollars? What causes the low breakeven point?

**P18-24A (L. OBJ. 2, 3) Break even sales; sales to earn a target operating income; contribution margin income statement [30–45 min]**

British Productions performs London shows. The average show sells 1,200 tickets at \$50 per ticket. There are 120 shows a year. The average show has a cast of 70, each earning an average of \$300 per show. The cast is paid after each show. The other variable cost is a program-printing cost of \$7 per guest. Annual fixed costs total \$459,000.



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