

Variable costs		Variable costs for theatrical revenues %
Residuals & participation	50.00	$\div 440.00 = 11.36\%$
Fixed Costs		Contribution margin %
Production & interest	235.00	$100.00\% - 11.36\% = 88.64\%$
Prints	27.00	
Worldwide marketing	113.00	
Studio interest & distribution	106.00	
Total fixed costs	481.00	
Production costs	- 210.00	By definition, after the third layer, the movie would have broken even.
Fixed costs other than production costs	271.00	



10821

		Layer			Total
		I	II	III	
<b>Costs spent</b>	Paramount	65.00		135.50	200.50
	20th Century Fox	65.00	80.00	135.50	280.50
	Total	130.00	80.00	271.00	481.00
	Cumulative	130.00	210.00	481.00	
<b>Recovery</b>	Paramount	65.00	40.00	115.50	220.50
	20th Century Fox	65.00	80.00	115.50	260.50
	Recovery	130.00	120.00	231.00	481.00
	Cumulative		250.00	481.00	
<b>Break-even Point</b>	Numerator	130.00	120.00	231.00	481.00
	Denominator	$\div 88.64\%$	$\div 88.64\%$	$\div 88.64\%$	88.64%
	Break-even Point	146.67	135.38	260.62	542.67
	Cumulative	146.67	282.05	542.67	<b>1b</b>
<b>1d Income Statement</b>		Recovery	Fixed cost	Profit	
	Paramount	220.50	- 200.50	= 20.00	
	20th Century Fox	260.50	- 280.50	= (20.00)	
	Total	481.00	- 481.00	=	

When Titanic breaks even with theatrical release alone, Paramount will be in the black but Fox will still show losses.

Net theatrical revenue needed to break even just with theatrical release	542.67	
Studio's share of box office	$440 \div 1,000 = 44.00\%$	
Box office size needed to break even just with theatrical release		Lots of Tickets 😊
<b>1e</b>	$542.67 \div 44.00\% = 1,233.33$	
or	$542.67 \div 50.00\% = 1,085.33$	

<b>1f</b> Cumulative projected revenue	440.00
Theatrical revenue that Titanic will fall short, from break-even	$542.67 - 440.00 = 102.67$
Theatrical contribution that Titanic will fall short, from break-e	$102.67 \times 88.64\% = 91.00$

**1g Recovery**

210801

Contribution received 440 x 88.64% = 390

		I	II	III	Cumulative
Paramount	Share	65.00	40.00	70.00	175.00
20th Century Fox	Share	65.00	80.00	70.00	215.00
Total contribution recovered		130.00	120.00	140.00	390.00
	Cumulative	130.00	250.00		

**1h Income Statement**

	Recovery	Fixed cost	Profit
Paramount	175.00 -	200.50 =	(25.50)
20th Century Fox	215.00 -	280.50 =	(65.50)
Losses from theatrical release	390.00	481.00	(91.00)

**1i Video Sales**

Revenue from Total Video Sales			574.00	
Costs for Video Marketing & Production				
Video Variable Costs	245.00 x	75.00%	183.75	
Contribution Margin			390.25	=
Video Fixed Costs	245.00 x	25.00%	61.25	
Profit			329.00	

  

Contribution Margin		\$390.25 ÷	\$574.00
		=	67.99%

Losses from theatrical release	91.00		
Video Fixed Costs	61.25		
Contribution needed from video sales		152.25	
Video sales needed for Titanic to break even			
Numerator	152.25		
÷ Denominator	÷	67.99%	= Break-even Point
			223.94 <b>1i</b>

**At the break-even point**

**Check**

Revenue		223.94	
Variable Costs [ 100.00% - 67.99% ]		(71.69)	
Fixed Costs		(61.25)	
Net contribution		91.00	= Loss from theatrical release

When Titanic breaks even with theatrical release and video, Paramount will be in the black but Fox will still losses.

**1k After break-even**

**At the projected figures**

Total video revenue	358.00 +	216.00 =	574.00
Additional video revenue after break-even	574.00 -	223.94 =	350.06
Contribution from video	350.06 x	67.99%	238.00
Profit from TV (= revenue; assume no costs)			127.00
Profit from Titanic	[= 1,141.00 -	776.00 ]	365.00

210801

<b>Earnings before taxes</b>	After Break-even				at break-even	
Paramount share	40.00% x	365.00 =	146.00	+	20.00 =	166.00
20th Century Fox share	60.00% x	365.00 =	219.00	+	(20.00) =	199.00

**11 Return on Investment**

Paramount	166.00 ÷	200.50 =	82.79%	Not bad for a year
20th Century Fox	199.00 ÷	280.50 =	70.94%	

**Q 2**

Total fixed costs for theatrical release	481.00
Video Fixed Costs	<u>61.25</u>
Total Fixed Costs	542.25

Contribution Margin on Video sales 67.99%

For	440.00	of theatrical sales	574.00	of video sales is expected
So for	\$ 1.00	of theatrical sales	\$ 1.30	of video sales can be expected.
or	\$ 1.00	of theatrical sales	\$ 1.30 x 67.99% =	\$0.887
				of video contribution can be expected.

For	440.00	of theatrical sales	127.00	of TV revenue is expected
So for	\$ 1.00	of theatrical sales	\$ 0.29	of TV contribution can be expected.

**For each \$1.00 of theatrical sales**

Direct contribution margin	88.64%
Contribution Margin from video	88.69%
Contribution Margin from TV revenue	<u>28.86%</u>
Total Contribution Margin	206.19%

**2a Theatrical revenues Break-even point**

Numerator 542.25 ÷ Denominator 206.19% = **262.98**

At 262.98 of theatrical revenues, Titanic can expect to break-even.

			<b>2b</b>	
Projected Total theatrical Revenues	440.00	460.00		Increment
Theatrical revenues Break-even point	-	262.98	262.98	20
Projected Total theatrical Revenues over break-even	=	177.02	197.02	x 206.19%
Total Contribution Margin per \$ of theatrical revenue	x	206.19%	206.19%	41.24
Total Earnings Before Taxes from Titanic		365.00	406.24	41.24