

Sage paints is a paint retailer.

Sage's variable cost per can	\$	7.00
Expected number of cans to be sold next year		100,000
Fixed costs per year	\$	200,000
Expected capital investment		
Fixed assets	\$	350,000
<i>Plus</i> Current assets percent of sales		15.00%
Target rate of return on investment on assets		20.00%



**Questions**

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- 1 Calculate the price per can that Sage should charge next year to earn the target return on investment.
- 2 Suppose Sage's management has just obtained market research information that indicates if price per can is changed from question 1 answer by (2.60)% the change in paint cans sold will be 10.00%  
Should Sage make the change in the price ?