

Expected sales		100,000		
Fixed costs				\$ 200,000
Variable cost	\$ 7.00 ×	100,000	=	\$ 700,000
Total costs				\$ 900,000
Capital Investment	\$ 350,000			
Expected return on capital investment	\$ 350,000 ×	20.00%	=	\$ 70,000
Current asset investment	15.00% ×	100,000	×	price
Expected return on current asset investment	15,000 ×	price	×	20.00%
				3,000 × price

Solve for price

97,000 × price =	\$ 970,000
price =	\$ 970,000 ÷ 97,000
=	\$ 10.00 Answer

Total	\$ 970,000
+	3,000 × price
	must equal
Revenue	100,000 × price

Check

Revenue	100,000 × \$ 10.00 =	\$ 1,000,000
Total costs		\$ 900,000
Operating income		\$ 100,000

Investment

Current assets	15.00% × \$ 1,000,000	\$ 150,000
Capital Investment		\$ 350,000
Total investment		\$ 500,000
Expected return on investment	\$ 500,000 × 20.00%	= \$ 100,000

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Price change	(2.60)%
Demand change	10.00%

Revenue	\$ 9.74 ×	110,000	=	\$ 1,071,400
Variable cost	\$ (7.00) ×	110,000	=	\$ (770,000)
Fixed costs				\$ (200,000)
Operating income				\$ 101,400

Investment

Current assets	× 15.00% × \$ 1,071,400	\$ 160,710
Capital Investment		\$ 350,000
Total investment		\$ 510,710
Expected return on investment	\$ 510,710 × 20.00%	= \$ 102,142

Net "Income" EVA	\$ 101,400 - \$ 102,142 =	\$ (742)
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Price should be changed.