Toulouse Solution

11023

Q1 Total fixed costs

Direct fixed costs	+	Common fixed costs	=	
120,000	+	60,000	=	180,000

	Premium	Standard	Standard	x 4.50		
Selling price	1,500	600				
Unit variable costs	900	400				
Unit Contribution Margin	600	200				
Aggregate contribution margin =	600	+	900		=	1,500
Break-even point =	180,000	/	1,500	=	120	Premium
					540	Standard

Q 2 New total fixed costs 180,000 + 60,000 = 240,000

	Premium	Standard	Standard	x	1.50	
Unit Contribution Margin	600	200				
Aggregate contribution margin =	600	+	300		=	900
Break-even point =	240,000	/	900	=	267	Premium
					400	Standard

Q 3	**Premium**	**Standard**	**Aggregate**
Projected unit sales	500	750	1,250
Selling price	1,500	600	
Unit variable costs	900	400	
Revenue	750,024	450,014	
Variable costs	(450,014)	(300,010)	
Contribution margin	300,010	150,005	450,014
Direct fixed costs	(40,000)	(80,000)	(120,000)
Product margin	260,010	70,005	330,014
Common fixed costs			(120,000)
3a Forecasted income for 2002			210,014
3b Increase in profit from renting the new outlet			90,014

Contribution Q1 & Q2	0.3333	x	300,000	=	100,000	
Contribution Q3 & Q4	0.6667	x	450,014	=	300,010	400,010
Fixeed Costs in Q1 & Q2	0.5000	x	180,000	=	90,000	
Fixeed Costs in Q3 & Q4	0.5000	x	240,000	=	120,000	(210,000)
Income for the year						190,010
Income for the year from the old store						120,000
4. 2001 Income effect if sales and mix change from July 1,2001						70,010
Change effective for						
Effect on profits	0.6667	x	90,014	=		60,010
Implied rent in the above figure	0.6667	x	60,000	=	40,000	
Actual rent paid	0.5000	x	60,000	=	30,000	
Savings in rent					10,000	10,000
Effect on profits						
2001 Income effect if sales and mix change from July 1 2001						70,010