

QUESTION
A company has a fixed cost of \$100,000 and a variable cost of \$5 per unit. The selling price is \$15 per unit. How many units must be sold to break even?

SOLUTION
Break-even point (units) = Fixed Cost / (Selling Price - Variable Cost)
= \$100,000 / (\$15 - \$5) = 10,000 units

QUESTION
A company has a fixed cost of \$100,000 and a variable cost of \$5 per unit. The selling price is \$15 per unit. What is the contribution margin per unit?

SOLUTION
Contribution Margin per Unit = Selling Price - Variable Cost
= \$15 - \$5 = \$10

QUESTION
A company has a fixed cost of \$100,000 and a variable cost of \$5 per unit. The selling price is \$15 per unit. What is the break-even sales revenue?

SOLUTION
Break-even Sales Revenue = Break-even Point (units) * Selling Price
= 10,000 units * \$15 = \$150,000

QUESTION
A company has a fixed cost of \$100,000 and a variable cost of \$5 per unit. The selling price is \$15 per unit. What is the contribution margin ratio?

SOLUTION
Contribution Margin Ratio = Contribution Margin per Unit / Selling Price
= \$10 / \$15 = 0.67 (or 67%)

QUESTION
A company has a fixed cost of \$100,000 and a variable cost of \$5 per unit. The selling price is \$15 per unit. What is the break-even sales volume in dollars?

SOLUTION
Break-even Sales Volume in Dollars = Break-even Sales Revenue
= \$150,000

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SOLUTION
Break-even Sales Volume in Units = Break-even Point (units)
= 10,000 units

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