

1) TAL breakeven

Units	6,692.3	6,693
\$	\$ 495,231	\$ 495,282
CM ratio	35%	

2) Required sales for

pre-tax profit of \$ 100,000

Units	10,538.5	10,539
\$	\$ 779,846	\$ 779,886

Tax rate

30%

3) Required sales for

after-tax profit of \$ 75,000

Units	10,813.19	10,814
\$	\$ 800,176	\$ 800,236

4)

Price reduction 0%

Advertising increase \$ 30,000

Revenue increase \$ 120,000

Incremental revenue		\$ 120,000
incremental VC		\$ 77,838
CM		\$ 42,162
Increase in FC		\$ 30,000
Change in NOI		\$ 12,162

5)

New

Price reduction 5% \$ 70.30 new price

Advertising increase \$ 40,000

Unit sales increase 40% 14,000 units

New revenue		\$ 984,200
New VC		\$ 672,000
CM		\$ 312,200
FC		\$ 214,000
New NOI		\$ 98,200
Change in NOI		\$ 12,200

increase

6)

Reduction in VC \$ 4.50 per unit

Additional FC \$ 50,000

\$ 45,000
\$ 50,000
\$ (5,000)

Improvement in ROI

New revenue		\$ 740,000
New VC		\$ 435,000
CM		\$ 305,000
FC		\$ 224,000
New NOI		\$ 81,000
Change in NOI		\$ 5,000

decrease in NOI