

I-18.02

Form a five-person team. Each team member should assume responsibility for calculating the unknown values for one of the following scenarios.

<u>Scenario</u>	<u>Sales</u>	<u>Total Variable Costs</u>	<u>Total Fixed Costs</u>	<u>Net Income</u>
1	? (50,000 units)	\$500,000	\$180,000	\$120,000
2	\$700,000 (75,000 units)	?	100,000	175,000
3	\$400,000 (40,000 units)	80,000	?	130,000
4	\$900,000 (90,000 units)	475,000	175,000	?
5	? (20,000 units)	400,000	50,000	50,000

Then, decide which team member's scenario has the:

- Lowest break-even point in units
- Highest net income
- Lowest contribution margin per unit
- Highest fixed costs
- Highest total variable costs

Discuss the cost structure attributes for each scenario and debate which represents a company you would most wish to own.