

B-21.08

Review the following SG&A budget that was prepared at the beginning of the current year. The economy appears to be slowing, and sales are now expected to run only 90% of plan. How much can now be expected to result for total SG&A?

The only fixed cost that can be reduced relates to the advertising campaign. What are the possible impacts of attempting to save money by cutting a portion of the advertising budget?

Selling, General, and Administrative Budget For the Year Ending December 31, 20X5

Estimated units sold		50,000
X Per unit variable SG&A	X	<u>\$ 4.00</u>
Total variable SG&A	\$	<u>200,000</u>
Fixed SG&A		
Salaries	\$	275,000
Office		60,000
Advertising		175,000
Other		<u>25,000</u>
Total fixed SG&A	\$	<u>535,000</u>
Total budgeted SG&A	\$	<u><u>735,000</u></u>