Exercise 6-17 (30 minutes)

1.

	Flight Dynamic		Sure Shot		Total Company	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Sales	P150,000	100	P250,000	100	P400,000	100.0
Variable expenses	30,000	20	160,000	64	190,000	47.5
Contribution margin	P120,000	80	P 90,000	36	210,000	52.5*
Fixed expenses...					183,750	
Net operating income............					P 26,250	

*P210,000 ÷ P400,000 = 52.5%.

2. The break-even point for the company as a whole would be:

$$\text{Break-even point in total dollar sales} = \frac{\text{Fixed expenses}}{\text{Overall CM ratio}}$$

$$= \frac{\text{P183,750}}{0.525} = \text{P350,000}$$

3. The additional contribution margin from the additional sales would be computed as follows:

P100,000 × 52.5% CM ratio = P52,500

Assuming no change in fixed expenses, all of this additional contribution margin of P52,500 should drop to the bottom line as increased net operating income.

This answer assumes no change in selling prices, variable costs per unit, fixed expense, or sales mix.