Name _____

PRINCIPLES OF FINANCIAL AND MANAGERIAL ACCOUNTING II

Review Variable Costing, Break-even, Margin of Safety

The following income statement data were taken from the 19x1 financial statements of Pillsbury Company:

	(In millions)	
Net Sales		$6,190.6
Costs and Expenses:		
Cost of sales	$4,322.3	
Selling, general, and admin. expenses	1,614.5	
Interest expense	97.8	6,034.6
Income before income tax		$ 156.0

Assume that the costs have been classified into the following fixed and variable components:

	Fixed	Variable
Cost of sales	20%	80%
Selling, general, and admin. expenses	40%	60%
Interest expense	100%	0%

1) Prepare a variable costing income statement for 19x1.

2) Determine the contribution margin ratio.

3) Determine the percent of variable costs and expenses.

4) Determine the break-even point in total sales dollars.

5) Determine the margin of safety expressed in sales dollars and as a percentage of 19x1 sales. Round computations to one decimal place.