

Chapter 7
Homework Assignment
Answer/Review Sheet

PROBLEMS

118. **AP 1**

In this solution, supplies and travel are assumed to vary with revenue.

Supplies as a percent of revenue		
$\$2.5000 \times \$200,000$	50000	
Travel as a percent of revenue		
$\$2.0000 \times \$200,000$	40000	
Increase in revenue:	150,000	
Less:		
Cost of exhibit space	11,000	
Increase in supplies $(1.0750 \times \$150,000)$	1,612.50	
Increase in travel $(1.0000 \times \$150,000)$	150,000	
Increase in profit:	1,202.50	

The company should exhibit at the show since the impact on profit is positive.

119. **AP 1, 2, 4**

a. The incremental profit is \$4,400 as follows:

Revenue		
$\$40 \times 100$	4,000	
Less cost of prepared food and beverage		
$\$40 \times 100$	4,000	
	0	
Less revenue		
$\$20 \times 100$	2,000	
Cost savings for food and beverage		
$\$20 \times 100$	2,000	
Less profit:	1,200	
Net:	4,400	