

**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
<b>Increase in revenue:</b>		<b>150,000</b>
<b>Less:</b>		
Cost of exhibit space		11,000
Increase in supplies $(1.0750 \times \$200,000)$		2,150
Increase in travel $(1.0000 \times \$200,000)$		200
<b>Increase in profit:</b>		<b>136,750</b>

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

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

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

Revenue		
$\$80 \times 100$		8,000
Less cost of prepared food and beverage		
$\$40 \times 100$		4,000
		4,000
<b>Less revenue:</b>		
$\$20 \times 100$		2,000
Cost savings for food and beverage		
$\$20 \times 100$		2,000
<b>Less profit:</b>		<b>4,000</b>
<b>Net:</b>		<b>4,000</b>