

Project 3: CVP Income Statement (10 points)

Instructions: Prepare your solutions in Excel and upload your Excel file to Moodle by the deadline specified by your instructor. Do NOT email your file!

The following information pertains to Fun in the Sun, Inc., a beach ball manufacturer:

Budgeted production costs for the coming year:

Direct materials per ball	\$	5
Direct labor per ball		3
Variable overhead per ball		7
Total fixed overhead		47,140

Budgeted selling and administrative costs for the coming year:

Fixed selling & admin expense	\$	23,350
Shipping cost per ball		2

In the coming year, Fun in the Sun plans to produce and sell 7,100 beach balls at a price of \$31 each.

Instructions for Project 3:

1. Prepare a CVP income statement.
2. Calculate the breakeven point in units and sales dollars.
3. Calculate the margin of safety.
4. Calculate the margin of safety ratio.
5. If Fun in the Sun wants to earn net income of \$50,000, how many units must it sell?