|  |
| --- |
| Income statements for three companies are provided below: |
|   |

|  |
| --- |
| **Company A**  |

 |

|  |
| --- |
| **Company B**  |

 |

|  |
| --- |
| **Company C**  |

 |
|

|  |
| --- |
| Sales (10 units)  |

 |

|  |
| --- |
| $600  |

 |

|  |
| --- |
| $600  |

 |

|  |
| --- |
| $600  |

 |
|

|  |
| --- |
| Less variable costs  |

 |

|  |
| --- |
| 400  |

 |

|  |
| --- |
| 250  |

 |

|  |
| --- |
| 0  |

 |
|

|  |
| --- |
| Less fixed costs  |

 |

|  |
| --- |
| 100  |

 |

|  |
| --- |
| 250  |

 |

|  |
| --- |
| 500  |

 |
|

|  |
| --- |
| Net income  |

 |

|  |
| --- |
| $100  |

 |

|  |
| --- |
| $100  |

 |

|  |
| --- |
| $100  |

 |

|  |
| --- |
| a) Prepare new income statements for the firms assuming each sells one unit less (i.e. each firm sells 9 units)b) Briefly describe the effect of cost structure on profitability, including recommendations for each company given the current economic environment, as you understand it.  |