**Contribution Margin Concepts** The following information is taken from the 2007 records of Navajo Art Shop.

**Fixed Variable Total**

Sales $750,000

- Goods sold $300,000

Gross profit 450,000

Costs

Goods sold

Labor $160,000 60,000

Supplies 2,000 5,000

Utilities 12,000 13,000

Rent 24,000 —

Advertising 6,000 24,500

Miscellaneous 6,000 10,000

Total costs $210,000 $112,500 (322,500)

Net income $127,500

**Required**

*a.* Determine the annual break-even dollar sales volume.

*b.* Determine the current margin of safety in dollars.

c. What is the annual break-even dollar sales volume if management makes a decision that increases fixed costs by $35,000?