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| Minden Company introduced a new product last year for which it is trying to find an optimal selling price. Marketing studies suggest that the company can increase sales by 5,000 units for each $2 reduction in the selling price. The company's present selling price is $98 per unit, and variable expenses are $68 per unit. Fixed expenses are $833,700 per year. The present annual sales volume (at the $98 selling price) is 25,200 units. |

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| **Requirement 1:** |
| What is the present yearly net operating income or loss? **(Negative amount should be indicated by a minus sign. Omit the "$" sign in your response.)** |

|  |  |
| --- | --- |
|  | $ |

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| **Requirement 2:** |
| What is the present break-even point in units and in dollar sales? **(Omit the "$" sign in your response.)** |

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| --- | --- | --- |
|  |  |  |
| Break-even point in unit sales |  | units |
| Break-even point in dollar sales | $ |  |
|  | | |

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| --- |
| **Requirement 3:** |
| Assuming that the marketing studies are correct, what is the *maximum* profit that the company can earn yearly? At how many units and at what selling price per unit would the company generate this profit? **(Omit the "$" sign in your response.)** |

|  |  |  |
| --- | --- | --- |
|  |  |  |
| Maximum profit the company can earn yearly | $ |  |
| Number of units the company should generate to earn this profit |  | units |
| Selling price the company should charge to earn this profit | $ |  |
|  | | |

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| **Requirement 4:** |
| What would be the break-even point in units and in sales dollars using the selling price you determined in requirement (3) above (e.g., the selling price at the level of maximum profits)? **(Omit the "$" sign in your response.)** |

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| Break-even point in unit sales | |  | units |
| Break-even point in dollar sales | | $ |  |
|  | | | |
|  | |  | | | |  |