CVP Application- Eliminate product from operation? Body Sculpture Inc, makes three models of high performance weight training benches. Current operating data are summarized here:

 MegaMuscle PowerGym Proforce

Selling price per unit $280 $400 $580

Contribution margin per unit 84 154 116

Monthly Sales Volume – Units 6,000 4,000 2,000

Fixed expenses per month Total of $1,280,000

Required:

1. Calculate the contribution margin ratio each product.
2. Calculate the firm’s overall contribution margin ratio
3. Calculate the firm’s monthly break- even point in sales dollars
4. Calculate the firm’s monthly operating income
5. Management is considering the elimination of the Pro-force model due to its low sales volume and low contribution margin ratio. As a result total fixed expenses can be reduced can be reduced to $1,080,000 per month. Assuming that this change would not affect the other models, would you recommend the elimination of the Pro-force model? Explain your answer.
6. Assume the same facts as in part (e.) Assume also that the sales volume for the Power-Gym model will increase by 1,000 units per month if the Pro-force model is eliminated. Would you recommend eliminating the Pro-force model? Explain your answer.