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| Bovine Company, a wholesale distributor of DVDs, has been experiencing losses for some time, as shown by its most recent monthly contribution format income statement below: |

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| --- | --- | --- |
|   |   |   |
|   Sales | $ | 1,596,000    |
|   Variable expenses |   | 578,500    |
|   |  |  |
|   Contribution margin |   | 1,017,500    |
|   Fixed expenses |   | 1,119,000    |
|   |  |  |
|   Net operating loss | $ | (101,500)   |
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| In an effort to isolate the problem, the president has asked for an income statement segmented by geographic market. Accordingly, the Accounting Department has developed the following data: |

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| --- | --- |
|   | Geographic Market |
|   | South | Central | North |
|   Sales | $ | 436,000 |   | $ | 630,000 |   | $ | 530,000 |   |
|   Variable expenses as a percentage of sales |   | 55 | % |   | 26 | % |   | 33 | % |
|   Traceable fixed expenses | $ | 267,000 |   | $ | 321,000 |   | $ | 193,000 |   |
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| **Required:** |

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| **1.** | Prepare a contribution format income statement segmented by geographic market, as desired by the president. **(Input all amounts as positive values except losses which should be indicated by a minus sign. Omit the "$" sign in your response.)** |

|  |  |  |
| --- | --- | --- |
|   |   | Geographic Market |
|   |        Total       Company |          South |          Central |      North |
|    | $   | $   | $   | $   |
|    |   |   |    |   |
|   |  |  |  |  |
|    |   |   |   |   |
|    |   |   |   |   |
|   |  |  |  |  |
|    |   | $   | $   | $   |
|    |   |  |  |  |
|   |  |   |   |   |
|    | $   |   |   |   |
|   |  |   |   |   |
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| **2-a.** | The company’s sales manager believes that sales in the Central geographic market could be increased by 15% if monthly advertising were increased by $27,000. Calculate the incremental net operating income. **(Omit the "$" sign in your response.)** |

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| --- | --- |
|   Incremental net operating income | $   |

|  |  |
| --- | --- |
| **2-b.** | Would you recommend the increased advertising? |
|   |   |
|   |

|  |  |
| --- | --- |
|  | No |
|  | Yes |

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