

MKT100 - Metrics Mastery Worksheets

Worksheet: Metric 1 Expense Types

- 1) The Comfy Chair Company makes reclining chairs at its plant and sells them exclusively through its own retail store. It has the following expenses:
- Plant rent and taxes = \$12,000.00/year
 - Office and management expenses = \$220,000.00/year
 - Machinery and equipment purchased = \$100,000.00
 - Direct materials = \$27.00/chair
 - Direct labour = 4 hours/chair @ \$14.00/hour
 - Transportation = \$5.00/chair
 - Commercial store front unit purchase = \$500,000.00
 - Advertising costs = \$100,000.00/year
 - Sales staff wages before commissions = \$250,000.00/year
 - Commission = \$12.00/chair
- (a) Identify the Comfy Chair Company's variable costs.
- (b) What is the total cost to produce and sell each reclining chair?
- (c) Identify the Comfy Chair Company's fixed operating costs.
- (d) What are the total fixed operating costs?
- (e) Identify the one-time fixed (capital) costs incurred by the Comfy Chair Company.
- (f) What are the total one-time fixed (capital) costs?

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- 2) Thompson Toiletries, Inc. has developed an addition to its mens' cologne line tentatively branded Ode d'Toad Cologne. It costs 45 cents to produce each 60mL bottle, and heavy advertising expenditures in the first year would cost \$900,000. Ode d'Toad Cologne is priced at \$7.50 for a 60mL bottle.

- (a) What is the variable cost per unit to produce a bottle of Ode d'Toad?
(b) What are the total fixed operating costs to produce and sell Ode d'Toad?

- 3) Executives of Radical Recordings Ltd. produced an album entitled Sunshine/Moonshine by the Starshine Sisters Band. The cost and price information was as follows:

Album cover	\$1.00
Songwriter's royalties	\$0.30
Recording artist's royalties	\$0.70
Direct material and labour costs to produce each album	\$1.00
Cost of producing the album (studio fee, advertising, promotional expenses, etc)	\$100,000.00
Selling price	\$7.00

- (a) Identify the variable costs that go into producing each album
(b) Identify the fixed operating costs for producing the album

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- 4) You are the owner of a travel agency that sells trips to university students. You are creating a package to sell an overnight trip to Blue Mountain. Identify the fixed and variable costs associated with the package based on the information below. After identifying the costs, **calculate the total cost based on 3 full buses of students.**

The package will include ski lift tickets, access to a VIP party and one night's hotel accommodation. It will cost you \$300 to print 1,000 full colour posters and another \$400 to purchase party supplies for the VIP Party. Each room costs \$80 per night, with four people per room. A bus holds 40 people and the bus company will charge you \$500 per bus. The ski hill is offering you a rate of \$20 per ski lift pass. You also know that you need to purchase a ¼ page ad in the campus paper at a cost of \$100 per week for 6 weeks.

Variable Costs (description & Unit Cost)	Total	Fixed Operating Costs (Description)	Total
Total Variable Costs		Total Fixed Costs	