

Total contribution margin in \$ = Total sales or revenues minus
all variable costs and expenses

Calculation of the **total contribution margin in dollars*** for the following

time period: Year 2022 (month, year, etc.)

Total sales or revenues	\$	<u>100,000.00</u>	S
<i>minus</i> all variable costs and expenses	\$	<u>40,000.00</u>	V
= Total contribution margin in dollars	\$	<u>60,000.00</u>	CM\$ (S - V)

Contribution margin ratio = Total contribution margin in dollars divided by
total sales or revenues

Calculation of the **contribution margin ratio**

Total contribution margin in dollars	\$	<u>60,000.00</u>	CM\$
<i>divided by</i> total sales or revenues	\$	<u>100,000.00</u>	S
= Contribution margin ratio		<u>60%</u>	CMR (CM\$ / S)

Notes:

* A contribution margin per unit can be calculated by dividing the total amounts by the number of units. (If there are various types of units, the result is an average amount per unit.)

V Total variable costs and expenses include:

Variable cost of goods sold	\$	<u>32,000.00</u>	
Variable selling expenses	\$	<u>7,000.00</u>	
Variable administrative expenses	\$	<u>1,000.00</u>	
Total variable costs and expenses	\$	<u>40,000.00</u>	V