

Sales Needed for Desired Net Income

(single or multiple products/services)

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Sales needed for desired net income = (Fixed expenses + desired net income)
divided by the **contribution margin ratio**

Calculation of the **sales needed for desired net income** for the following

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

Fixed expenses for period	\$ 42,000.00	F	
<i>plus</i> desired net income before taxes	\$ 30,000.00	NI	
= Total \$ to be covered by CM ratio	\$ 72,000.00	T	(F + NI)
<i>divided by</i> the contribution margin ratio	65%	CMR	
= Sales dollars needed for desired NI	\$ 110,769.23	S\$N	(T / CMR)

Notes:

The sales dollars needed for the desired net income assumes that the product mix (proportions of various products sold or services provided) will remain the same.

- F** Fixed expenses are those expenses that will not change in total as the volume of activity changes. Enter your total fixed expenses here:

Rent	\$ 12,000.00	
Salaries and related fringe benefits	\$ 18,000.00	
Insurance, property taxes, maintenance	\$ 4,000.00	
Depreciation	\$ 2,000.00	
Interest	\$ 1,000.00	
Other: <u>software renewal</u>	\$ 5,000.00	
Total fixed expenses for period	\$ 42,000.00	F

CMR Contribution margin ratio or % = [sales minus variable expenses] divided by sales.

Sample Calculation: Sales dollars	\$ 100,000	
<i>minus</i> variable expenses	- 40,000	
= Contribution margin	\$ 60,000	Dollars
		<u>60% Ratio (\$60k/\$100k)</u>

Enter your company's amounts here:

Sales dollars	\$ 160,000.00	S	
<i>minus</i> total variable expenses	\$ 56,000.00	V	
Contribution margin \$ and ratio	\$ 104,000.00	CM\$ (S - V)	65% CMR (CM\$ / S)

- V** Variable expenses are the expenses that change in total as the volume of activity changes. Enter your total variable expenses here:

Purchase costs	\$ 40,000.00	
Direct labor and fringes	\$ 11,000.00	
Sales commissions and shipping	\$ 2,000.00	
Other: <u>special service</u>	\$ 3,000.00	
Total variable expenses for period	\$ 56,000.00	V

For a blank form see **Form B8**.

Learn more about break-even point at www.AccountingCoach.com