## Sales Needed for Desired Net Income

(single or multiple products/services)

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

Calculation of the <b>sales needed for desired ne</b> time period: (mont	<b>et income</b> for the for the for the for the for	ollowing	
Fixed expenses for period	\$	F	
plus desired net income before taxes	\$	NI	
= Total \$ to be covered by CM ratio	\$	т	(F + NI)
divided by the contribution margin ratio		% CMR	
= Sales dollars needed for desired NI	\$	\$\$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	\$		
	Salaries and related fringe benefits	\$		
	Insurance, property taxes, maintenance	\$		
	Depreciation	\$		
	Interest	\$		
	Other:	\$		
	Total fixed expenses for period	\$	F	
CMR	Contribution margin ratio or % = [sales mi	inus variabl	e expenses] divided by s	ales.
	Sample Calculation: Sales dollars	\$	100,000	
	minus variable expenses		- 40,000	
	= Contribution margin	\$	60,000 Dollars	60% Ratio (\$60k/\$100k)
	Enter your company's amounts here:			
	Sales dollars	\$	S	
	minus total variable expenses	\$	V	
	Contribution margin \$ and ratio	\$	CM\$ (S - V)	% CMR (CM\$/S)
v	Variable expenses are the expenses that	change in t	otal as the volume of act	ivity changes.
	Enter your total variable expenses here:	-		
	Purchase costs	\$		
		<u>^</u>		

Total variable expenses for period	\$ V
Other:	\$ 
Sales commissions and shipping	\$ 
Direct labor and fringes	\$
Purchase costs	\$ 

See Filled-In Form B8 for an illustration.

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