No: Date:

Question #6

Solution:

$C_F = \$1658 \times 10 = \$16580$

$C_V = \$23/\text{user}$

$P = \$65/\text{user}$

Total users = 4300

Break even point = $TR = TC$

$= P \times D = C_F + C_V \times D$

$= 65D = 16580 + 23D$

$= (65 - 23)D = 16580$

$\Rightarrow D = \frac{16580}{42}$

$D_B = 394.76$

Revenue at break even point $\Rightarrow P \times D_B$

$= 65 \times 394.76$

$= \$25659.4$

Reduced Fixed cost $= 16580 - \frac{8.5 \times 16580}{100}$

$= 16580 - 1409.3$

$= \$15170.7$

Now

Break even point $\Rightarrow TR = TC$

$= PD = C_F + C_V \times D$

$= 65D = 15170.7 + 23D$

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$= (65-23)D = 15170.7$

$= D = \frac{15170.7}{42}$

$D_B = 361.207$

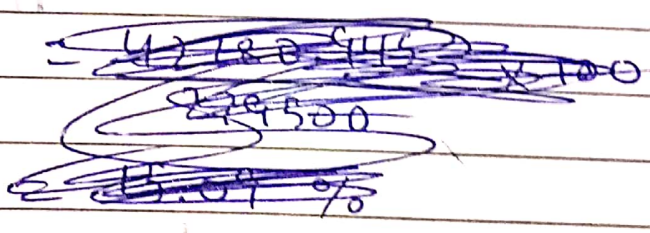
Revenue at this point = $P \times D_B$

$= 65 \times 361.207$

$= \$23478.455$

Now

% Reduction = $\frac{25659.4 - 23478.455}{65 \times 4300} \times 100$



$= 0.780\ \%$