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Date: 5/2/2024

In-class Exercise: Contribution Format Income Statement:

Marwick's Pianos, Inc., purchases pianos from a large manufacturer and sells them at the retail level. The pianos cost, on the average, \$2,450 each from the manufacturer. Marwick's Pianos, Inc., sells the pianos to its customers at an average price of \$3,125 each. The selling and administrative costs are presented below. In August, this company sold and delivered 40 pianos.

| Cost | Cost Formula |
|---------------------------------------|---|
| Selling | |
| Advertising..... | \$700 per month |
| Sales salaries and commissions..... | \$950 per month, plus 8% of sales |
| Delivery of pianos to customers.... | \$30 per piano sold |
| Utilities..... | \$350 per month |
| Depreciation of sales facilities..... | \$800 per month |
| Administrative: | |
| Executive salaries..... | \$2500 per month |
| Insurance..... | \$400 per month |
| Clerical..... | \$1,000 per month, plus \$20 per piano sold |
| Depreciation of office equipment.. | \$300 per month |

Requirement: Prepare the contribution format income statement

| | Total | per unit |
|------------------------|-----------|----------|
| Sales: | (40*3125) | 3125 |
| Variable expense: | | |
| COGS | 40*2450 | 2450 |
| Sales commission | 8%*125000 | 250 |
| Delivery | 1200 | 30 |
| Clerical | 800 | 20 |
| CM | 15000 | 375 |
| Fixed cost | | |
| Advertisement | 700 | |
| Sales salary | 950 | |
| Utilities | 350 | |
| Depreciation of sales | 800 | |
| Executive | 2500 | |
| Insurance | 400 | |
| C c | 1000 | |
| Depreciation of office | 300 | |
| Net | 8000 | |