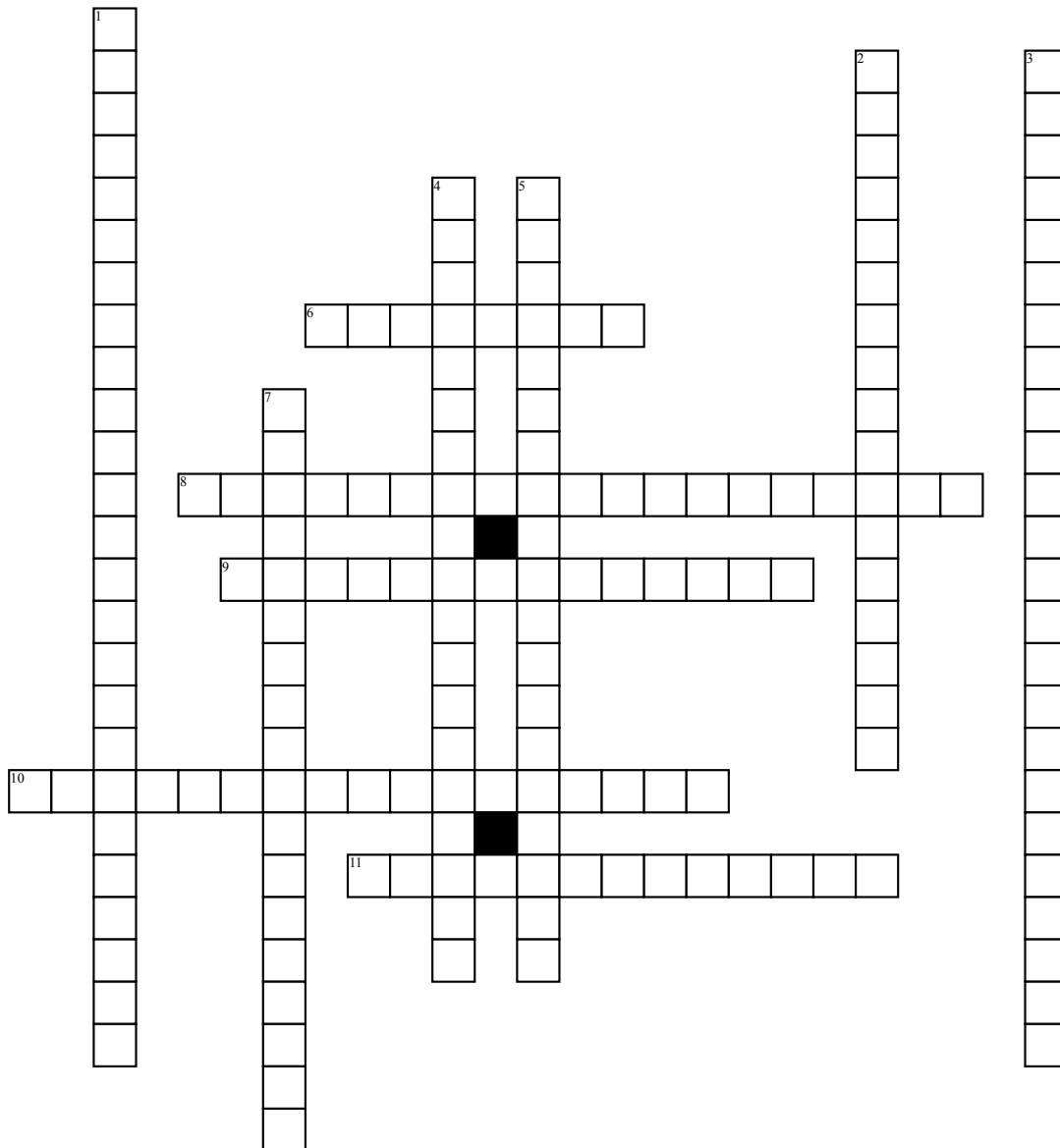


Chapter 7 - Relevant Terms



Across

6. The relative combination of products sold by a company. It is usually expressed in the lowest whole units. For example, a sales mix of 3:2 means that for every 3 units of Product A sold, 2 units of Product B are sold.

8. A “what-if” technique used to see what impact a change in an underlying variable has on the answer.

9. The point at which total revenue equals total cost and profit is zero.

10. Occurs when fixed costs are used to obtain higher change in profits as sales change.

11. The company's relative mix of fixed to variable costs. It is useful in determining operating leverage.

Down

1. Shows the degree to which fixed costs are used to obtain a higher percent change in profits as sales change. It is equal to the total contribution margin divided by operating income.

2. The ratio of total variable cost to sales or of unit variable cost to price. Variable cost ratio is also computed as 1 (100%) minus the contribution margin ratio. It represents the percentage of each sales dollar used to cover variable cost.

3. Estimates how changes in costs (both variable and fixed), sales volume, and price affect profit.

4. Fixed costs that are directly traceable to a given segment and, consequently, disappear if the segment is eliminated.

5. Fixed expenses that cannot be traced to individual segments or products. They will continue to exist even if one segment or product is eliminated.

7. The difference between total sales and total variable costs on a total basis, or price minus unit variable cost on a per-unit basis. Total contribution margin is the amount left over from sales to contribute to covering fixed costs and profit.