



RUNNER SHOES S.A. (A)¹

Multi-Product C-V-P analysis

Runner Shoes s.a. is a company that produces and sell sport shoes:

The company undertook a study to understand the cost structure:

- Variable a fixed costs were estimated to each product-line;
- Direct fixed costs were assigned to each product-line;
- The common costs, such as corporate advertising, utilities and general administrative costs were identified.

After performing the study the company prepared a product-line profit statement:

RUNNER SHOES			
	SPORTS LINE	TOP LINE	TOTAL
	<i>in EUR</i>		
Sales	3 000 000	1 800 000	4 800 000
Variable costs	750 000	900 000	1 650 000
Contribution margin	2 250 000	900 000	3 150 000
Direct fixed costs	1 500 000	500 000	2 000 000
Direct margin	750 000	400 000	1 150 000
Common fixed costs:			
Advertising			15 000
Utilities			30 000
Other administrative costs			550 000
Total of common fixed costs			595 000
Operational profit			555 000

Working questions:

- Calculate contribution margins ratios.
- Calculate the break-even for the whole company.
- Is there a break-even per product?
- Calculate the sales needed to achieve an operational profit of 800 000 €.
- What are the assumptions of the previous two calculations?
- What would be the effect on operational profit of a 100 000 € increase in sales of the sports line product compared with the same value amount of sales of top line?
- Based on this limited information, which product line would you recommend expanding? Why?

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