

Business and Personal Finance © 2012

Chapter 9: Pricing, Costing, and Growth

Check Your Answers: Section Assessment

Section 2

Review Key Concepts

1. Students should accurately describe customers, sales, market share, market development, employees, product development, and profits.
2. Business managers use break-even analysis to test possible changes and to determine how those changes might affect future profits. Using the results of their analysis, managers forecast sales and plan financial activities for their business.
3. Challenges: niche market or not all business owners are good delegators. Planning is important so you can ensure successful growth and know you have the knowledge to intelligent investment decisions.
4. Advantages: expand the business with someone else's money and it is easier to manage your organization; Disadvantages: costs and time to train

Higher Order Thinking

5. If a business grows too rapidly or in the wrong area, serious financial problems may result. For example, if sales increase but you are unable to handle the larger volume, customer service will suffer.

English Language Arts

6. **Growing Pains** Displays will vary. Things that could go wrong may include: miscalculation of costs. Things that could lead to growth include: new customers and balancing staff and volume.

Mathematics

7. **Target Sales and Margin of Safety** Target profit units: $(\$52 \times \text{units}) = (\$20 \times \text{units}) + \$600 + \$1,000$; $(\$32 \times \text{units}) = \$1,600$; $\text{units} = 1,600/32 = 50$; Target profit dollars = $50 \text{ units} \times \$52 = \$2,600$; Break-even point: $(\$52 \times \text{units}) = (\$20 \times \text{units}) + \600 ; $(\$32 \times \text{units}) = \600 ; $\text{units} = 600/32 = 18.75$ or 19; Break-even point dollars = $19 \text{ units} \times \$52 = \$988$; Margin of safety = $50 \text{ units} - 19 \text{ units} = 31 \text{ units}$; Margin of safety dollars = $31 \text{ units} \times \$52 = \$1,612$