

ACCOUNTING

in the headlines

What is break even for a food vendor at The Ohio State Fair?

The 160th Ohio State Fair in 2013 had an estimated 903,824 visitors during the twelve days of the fair, which was record-breaking attendance. The high attendance led to a record-breaking profit of about \$400,000 for the fair.

Among the sources of revenue for The Ohio State Fair are the revenues generated from the food vendors. A number of food vendors offer a wide variety of fair foods to attendees, including funnel cakes, gyros, cotton candy, milkshakes, and corn dogs.

The Ohio State Fair fee schedule for food vendors for 2014 is as follows:

- \$10 per linear foot for ground service fees (front footage x depth)
- 10% of concessions (food sales)
- \$40 per 12-day parking permit
- \$290 for 100-amp electrical service
- \$50 per 12-day fair admittance pass (one included with basic rental agreement)

Questions

1. Of the fees listed in the schedule, which fees are variable with respect to the number of customers at the booth? Which fees are fixed?
2. Assume that Star Concessions has a food booth that requires 15' of frontage and is 12' deep. Star expects to have sales averaging \$3,600 per day for each of the 12 days of the fair. It has a total of four employees who will work the fair throughout the entire 12-day period. Star pays for each employee's fair admission and parking. What is the projected total fee that Star will need to pay to The Ohio State Fair?
3. Assume that variable costs are 40% of sales revenue. This 40% includes the 10% charged by The Ohio State Fair. What total sales revenue is needed for Star Concessions to breakeven? What is the average daily sales revenue needed to breakeven?