

# ACCOUNTING

## in the headlines

How much in sales does Boswell's Beanery need to break even for its booth rental costs at a home and garden show?

Boswell's Beanery is a locally-owned specialty food product company in Northeast Ohio that has been in existence for over thirty years. Its products include flavored coffees and teas, dips, dressings, sauces, and seasonings. The company attends a variety of craft and other shows throughout the year and sets up a booth at each show to sell its products. Free samples are offered to show attendees and the Boswell's booth is always packed. Shows that Boswell's attends include the Yankee Peddler Festival in Canal Fulton, Ohio, the Great Big Home + Garden Show at the Cleveland I-X Center, and the Ohio Mart at Stan Hywet in Akron, Ohio. Boswell's also sells its products online via its website.

Each of the shows that Boswell's attends has a different booth rental fee. Booth rental fees can range from \$350 to \$5,000 for each show.

Assume that Boswell's has an average contribution margin ratio of 40% on its products.

### Questions

1. Would the booth rental fee be considered a fixed cost or a variable cost?
2. Assume that the booth rental fee at the Great Big Home + Garden Show is \$4,200 for the ten-day show. How much in sales does Boswell's need to break even on this show, assuming that the booth rental fee is the only fixed cost of the show?
3. The home and garden show runs for ten days. How much, on average, must Boswell's sell each day of the show to break even?
4. Assume that 100,000 people visit the home and garden show each year spread evenly throughout the ten-day period. If 5% of the attendees purchase from Boswell's at the show, how much must each customer purchase from Boswell's for Boswell's to break even on the booth rental fee?