

Report TNB10: Contribution Margin

Each **product** on each **distribution channel** will be analyzed. Analysis if you earned enough to cover the fixed costs (**Contribution margin**). The costs will be classified in variable and fixed costs.

COPY CLASSIC - CONTRIBUTION MARGIN TOTAL (MEUR)

		Market 1	Bulk Buyer	Requests for Bids	Market 2	Special Market	Total
	Sales Revenue	129.00	0.00	0.00	0.00	0.00	129.00
-	Direct Material Costs	24.75	0.00	0.00	0.00	0.00	24.75
-	Direct Production Costs	38.61	0.00	0.00	0.00	0.00	38.61
-	Transport Costs	1.08	0.00	0.00	0.00	0.00	1.08
=	Contribution Margin I	64.57	0.00	0.00	0.00	0.00	64.57
-	Fixed Material Costs	1.67	0.00	0.00	0.00	0.00	1.67
-	Fixed Production Costs	22.99	0.00	0.00	0.00	0.00	22.99
=	Contribution Margin II	39.91	0.00	0.00	0.00	0.00	39.91
-	Advertising Costs	6.00	0.00	0.00	0.00	0.00	6.00
=	Contribution Margin III	33.91	0.00	0.00	0.00	0.00	33.91
-	Development Costs	3.50	0.00	0.00	0.00	0.00	3.50
=	Contribution Margin IV	30.41	0.00	0.00	0.00	0.00	30.41
-	Research Costs						2.27
-	Sales Costs						8.53
-	Administration Costs						9.68
=	Contribution Margin V						9.93

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The knowledge of variable costs is just partly given. Exception transportation costs (25 EUR/unit).

For the calculation of variable and fixed costs, percentages are used within the CGM:

		2,020 EUR (8,000 units)	2.052 EUR (40,000 units)	(weighted)
Variable costs material (dcm)	28.12 %	568.02 EUR	577.09 EUR	575.58 EUR
Fixed costs material	1.895 %	38.28 EUR	38.89 EUR	38.79 EUR
Variable costs production	43.865 %	886.07 EUR	900.21 EUR	897.85 EUR
Fixed costs production	26.12 %	527.62 EUR	536.04 EUR	534.64 EUR

Please consider that we have used the word direct costs - written in the report - already in the cost type accounting report (for “Einzelkosten”), but here the translation “variable costs” would have been better!

As the CGM of 2,020 EUR is linked to the initial inventory of 8,000 units and the 2,052 EUR to the 40,000 units that were produced in this period, the (variable and fixed) costs of material and production are weighted.
E.g. $(8,000 * 568.02 + 40,000 * 577.09) / (8,000 + 40,000) = 575.58$. (rounding differences in comparison to the report)

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- **Direct Material Costs** = Variable material costs:
Weighted variable material costs (see Slide 2) x
sales volume
 $575.58 \text{ EUR} \times 43,000 \text{ units} = 24.75 \text{ mEUR}$
- **Direct Production Costs** = Variable production costs:
Weighted variable production costs (see Slide 2) x
sales volume
 $897.85 \text{ EUR} \times 43,000 \text{ units} = 38.61 \text{ mEUR}$
- **Transportation Costs**
 $25 \text{ EUR} \times 43,000 \text{ units} = 1.08 \text{ mEUR}$

COPY CLASSIC - CONTRIBUTION MARGIN TOTAL (MEUR)

		Market 1
	Sales Revenue	129.00
-	Direct Material Costs	24.75
-	Direct Production Costs	38.61
-	Transport Costs	1.08
=	Contribution Margin I	64.57
-	Fixed Material Costs	1.67
-	Fixed Production Costs	22.99
=	Contribution Margin II	39.91
-	Advertising Costs	6.00
=	Contribution Margin III	33.91
-	Development Costs	3.50
=	Contribution Margin IV	30.41
-	Research Costs	
-	Sales Costs	
-	Administration Costs	
=	Contribution Margin V	

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- Fixed Material Costs**

Weighted fixed material costs (see Slide 2) x
sales volume

38.79 EUR x 43,000 units = 1.67 mEUR

- Fixed Production Costs**

Weighted fixed production costs (see Slide 2) x
sales volume

534.64 EUR x 43,000 units = 22.99 mEUR

COPY CLASSIC - CONTRIBUTION MARGIN TOTAL (MEUR)

		Market 1
	Sales Revenue	129.00
-	Direct Material Costs	24.75
-	Direct Production Costs	38.61
-	Transport Costs	1.08
=	Contribution Margin I	64.57
-	Fixed Material Costs	1.67
-	Fixed Production Costs	22.99
=	Contribution Margin II	39.91
-	Advertising Costs	6.00
=	Contribution Margin III	33.91
-	Development Costs	3.50
=	Contribution Margin IV	30.41
-	Research Costs	
-	Sales Costs	
-	Administration Costs	
=	Contribution Margin V	

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- **Advertising costs** =
(Fixed) Costs for marketing to promote the Copy classic in market 1
- **Development Costs**
(Fixed) Costs for R&D consultancy services (2.5 ecology and 1 value analysis)

COPY CLASSIC - CONTRIBUTION MARGIN TOTAL (MEUR)

		Market 1
	Sales Revenue	129.00
-	Direct Material Costs	24.75
-	Direct Production Costs	38.61
-	Transport Costs	1.08
=	Contribution Margin I	64.57
-	Fixed Material Costs	1.67
-	Fixed Production Costs	22.99
=	Contribution Margin II	39.91
-	Advertising Costs	6.00
=	Contribution Margin III	33.91
-	Development Costs	3.50
=	Contribution Margin IV	30.41
-	Research Costs	
-	Sales Costs	
-	Administration Costs	
=	Contribution Margin V	

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COPY CLASSIC - CONTRIBUTION MARGIN TOTAL (MEUR)

		Market 1	Bulk Buyer	Requests for Bids	Market 2	Special Market	Total
	Sales Revenue	129.00	0.00	0.00	0.00	0.00	129.00
=	Contribution Margin IV	30.41	0.00	0.00	0.00	0.00	30.41
-	Research Costs						2.27
-	Sales Costs						8.53
-	Administration Costs						9.68
=	Contribution Margin V						9.93

At the end, overhead / fixed costs of the cost centers that are not directly involved in the manufacturing process (and so already considered in the CGM), have to be considered. (Costs see TNB 8)

Final contribution margin – here contribution margin V – is similar to EBIT (see TNB11)

Report TNB10: Contribution Margin

In the second part of TNB 10 you see the same calculation per unit.
Currently an operating margin of 230.98 euro per unit is achieved.

COPY CLASSIC - CONTRIBUTION MARGIN ACCOUNTING PER UNIT (EUR)

		Market 1	Bulk Buyer	Requests for Bids	Market 2	Special Market	ø-Value
	Price	3,000.00	0.00	0.00	0.00	0.00	3,000.00
-	Direct Material Costs	575.56	0.00	0.00	0.00	0.00	575.56
-	Direct Production Costs	897.81	0.00	0.00	0.00	0.00	897.81
-	Transport Costs	25.00	0.00	0.00	0.00	0.00	25.00
=	Contribution Margin I	1,501.63	0.00	0.00	0.00	0.00	1,501.63
-	Fixed Material Costs	38.79	0.00	0.00	0.00	0.00	38.79
-	Fixed Production Costs	534.70	0.00	0.00	0.00	0.00	534.70
=	Contribution Margin II	928.14	0.00	0.00	0.00	0.00	928.14
-	Advertising Costs	139.53	0.00	0.00	0.00	0.00	139.53
=	Contribution Margin III	788.60	0.00	0.00	0.00	0.00	788.60
-	Development Costs	81.40	0.00	0.00	0.00	0.00	81.40
=	Contribution Margin IV	707.21	0.00	0.00	0.00	0.00	707.21
-	Research Costs						52.80
-	Sales Costs						198.26
-	Administration Costs						225.17
=	Contribution Margin V						230.98