

ACCT 505 Week 3 Case Study II

Check this A+ tutorial guideline at

<http://www.assignmentcloud.com/acct-505-devry/acct-505-week-3-case-study-ii>

Springfield Express is a luxury passenger carrier in Texas. All seats are first class, and the following data are available:

Number of seats per passenger train car

90

Average load factor (percentage of seats filled)

70%

Average full passenger fare

\$160

Average variable cost per passenger

\$70

Fixed operating cost per month

\$3,150,000

What is the break-even point in passengers and revenues per month? What is the break-even point in number of passenger train cars per month? If Springfield Express raises its average passenger fare to \$ 190, it is estimated that the average load factor will decrease to 60 percent. What will be the monthly break-even point in number of passenger cars? (Refer to original data.) Fuel cost is a significant variable cost to any railway. If crude oil increases by \$ 20 per barrel, it is estimated that variable cost per passenger will rise to \$ 90. What will be the new break-even point in passengers and in number of passenger train cars? Springfield Express has experienced an increase in variable cost per passenger to \$ 85 and an increase in total fixed cost to \$ 3,600,000. The company has decided to raise the average fare to \$ 205. If the tax rate is 30 percent, how many passengers per month are needed to generate an after-tax profit of \$ 750,000? (Use original data). Springfield Express is considering offering a discounted fare of \$ 120, which the company believes would increase the load factor to 80 percent. Only the additional seats would be sold at the discounted fare. Additional monthly advertising cost would be \$ 180,000. How much pre-tax income would the discounted fare provide Springfield Express if the company has 50 passenger train cars per day, 30 days per month? Springfield Express has an opportunity to obtain a new route that would be traveled 20 times per month. The company believes it can sell seats at \$ 175 on the route, but the load factor would be only 60 percent. Fixed cost would increase by \$ 250,000 per month for additional personnel, additional passenger train cars,

maintenance, and so on. Variable cost per passenger would remain at \$ 70. Should the company obtain the route? How many passenger train cars must Springfield Express operate to earn pre-tax income of \$ 120,000 per month on this route? If the load factor could be increased to 75 percent, how many passenger train cars must be operated to earn pre-tax income of \$ 120,000 per month on this route? What qualitative factors should be considered by Springfield Express in making its decision about acquiring this route?

Grading Rubric for Case Study II:

Category

Points

%

Description

Documentation & Formatting

5

11%

Case Study will be completed in Word or Excel and contain necessary formulas to receive maximum credit

Organization & Cohesiveness

5

11%

Calculations for all parts should be organized and correctly labeled. In a quality case study, all questions should be addressed in a clear, concise manner.

Editing

5

11%

Quality work will be free of any spelling, punctuation or grammatical errors. Sentences and paragraphs (where appropriate) will be clear, concise and factually correct

Content

30

67%

A quality project will have all of the required work completed and will be correct.

Total

45

100%

A quality project will meet or exceed all of the above requirements.

For more classes visit

<http://www.assignmentcloud.com>