1. A variation of this problem asks for net income (an after-tax amount) instead of operating income (a pretax amount).

   - Net income = Operating income – (Operating income × Tax rate)

     = Operating income × (1 – Tax rate)

     Operating income = Net income ÷ (1 – Tax rate)

- ✓ The calculation of the unit volume or sales dollars needed to produce a target net income is based on the same formulas used for target operating income.
- ✓ The only difference is that the target operating income is expressed in terms of related net income.

   - **Target Sales (units) = {FC + TNI) / (1.0 – Tax Rate)} / UCM**

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Example:

John VicMan Manufacturing, Inc. has a product has a unit sales price of $0.60 and a unit variable cost of $0.20. Fixed costs are $10,000. John VicMan wants to generate a $30,000 net income. The effective tax rate is 40%.

Solution:

Target Sales (units) = {FC + [TNI / (1.0 – 0.40)]} / UCM

= [$10,000 + ($30,000 / 0.60)] / $0.40

= **150,000 units**