

Business brief essay sample



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BUSTER**

Tyva produces popular undyed cloth sandals in Regular and Deluxe style. The company is preparing its budget for June 2013, based on past experience sales. The company sells Regular sandals for \$120 and Deluxe for \$195 collecting 60% of the revenues in the month of sales and 38% the following month.

Analysis

The budgeted collections accounts receivable from May and June are \$802, 800. The company collects the sales on account, 60% the first month and 38% the next month. In this situation, substantial amount of cash inflow is receivable, compared with the rate of 80% that are Accounts payable in the first month for materials purchasing. The company also increase the inventory by \$7. 031.

The month of June is budgeted to be sold 2000 units of Regular sandals and 3000 units of Deluxe sandals. The Deluxe model has higher gross margin per unit versus Regular model. This difference would influence negative on the budgeted net income if the company sell less Deluxe model.

If you refer to Appendix A, between May's and budgeted June's balance sheet, account changes are expected in the Retained Earning as most significant. The Retained Earnings in June are higher in June compared with May. There are expected changes in budgeted June in the inventories and in the Cash as Assets.

Conclusion

Tyva can improve the net income if sells more of the Deluxe model of sandals, because of the higher contribution margin per unit versus the other Regular model.

Reference

Datar, S. and Rajan, M. (2014). Managerial Accounting. (1st ed.). Boston: Pearson Prentice Hall

Appendix A

Appendix B

5-Step Critical Thinking Decision-Making Process Matrix

Step 1: Identify the problem(s) and uncertainties.

What exactly is the problem...

(Study the problem to clarify what you need to know to solve it. Distinguish problems over which you have some control from problems over which you have no control. Pay special attention to controversial issues in which it is essential to consider multiple points of view.) Tyva produces an undyed cloth sandals in one style, but Regular and Deluxe. The Regular sandals have cloth soles and the Deluxe sandals have cloth-covered wooden soles. The company is preparing its budget for June 2013 and has estimated sales based on the past experience with more finished goods inventory.

The problem is this ...

(Write out the problem clearly and precisely, with details. Write the problem in different ways until you get it perfectly clear in your mind.) All sales of Tyva are on account. 60% of the revenues are collected in the month of sale, 38% are collected the following month. All purchase of materials are on

account, the company pays for 80% of the purchase in the month of purchase and 20% in the following month.

This is an important problem because...

(Remember in business, a problem is important if it affects the bottom line.

So how does this problem affect the bottom line (net income). A

significant amount of cash is carried over the following month, the Cash Outflow would come from Material purchased. The finished goods inventory is budgeted to increase.

The key question(s) that needs to be answered to solve this problem is...

(Every problem has questions connected to it. Here we want you to write out the most important question(s) you need to answer to solve the problem.

State it clearly and precisely. Being specific is very important.) The company should take into account what relevant items of Junes cash budget could impact on ending cash balance, the impact of the product sales mix on the company budgeted net income and account changes between May's Actual and Junes Budgeted.

Step 2: Obtain information.

The following information is needed to answer this question... (Here you are looking for the facts and/or data that help you solve the problem. Actively seek the information most relevant to the question. Include in that information options for action, both short-term and long-term. Recognize limitations in the terms of resources such as money, time, and people.) The Cash Inflow from customers in May Sales is \$307, 800 and \$495, 000 in June. The Cash Outflow that will come from the materials purchased. The finished

goods inventory for June also is budgeted from 650 to 600 on the Deluxe and from 250 to 400 units of the Regular.

Some important assumptions I am using in my thinking are...

(Figure out what you are taking for granted. Make sure these assumptions are reasonable. Watch out for self – serving or unjustified assumptions.)

Significant account changes are expected from May's Actual and June's budgeted. Retained earnings would be increased in June compared with May.

The points of view relevant to this problem belong to...

(Who are your stakeholders? Determine whether the stakeholder's point of view is relevant.) How the products sales mix will influence on the budgeted net income. The gross profit margin per unit is higher of the Deluxe model.

Note: Remember to view the information you have obtained for potential bias. This is from the perspective of your own bias to the research and the bias of the authors who compiled the data and the research you gathered. In other words, do not discount the importance of other's data because of your own bias(is). Step 3: Make predictions about the future.

If this problem gets solved, some important implications are... (Evaluate options, taking into account the advantages and disadvantages of possible decisions before acting. What consequences are likely to follow from this or that decision?) If the company make balanced product sales mix, and sales more Deluxe model, with higher gross margin per unit, the revenue would increase.

If this problem does not get solved, some important implications are...

(Evaluate options, taking into account the advantages and disadvantages of possible decisions before acting. What consequences are likely to follow from this or that decision?) If the company sales more Deluxe model it will not influence on the Retained Earnings of revenues.

The potential alternative solutions to solve the problem are... (If the problem involves multiple conflicting points of view, you will have to assess which solution is the best.)

Note: if the problem is one-dimensional, there may be just one correct solution. Step 4: Make decisions by choosing among alternatives.

What is the best solution and why...

(After following the process above, I think the best solution to the problem is... Defend your recommendation.) The company should budget more Deluxe model of sandals, because of higher gross margin per unit.

Step 5: Implement the decision, evaluate performance, and learn. In business, the fifth step in the decision making process is implementation. In the MBA program, most times you will end with Step 4 since you will not have the opportunity to implement. You may be asked to develop an implementation plan and recommend how you will evaluate performance in some assignments.