

# [Swu food and beverage](https://assignbuster.com/swu-food-and-beverage/)

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Southwestern University (SWU), located 30 miles southwest of the Dallas/Fort Worth metroplex, has witnessed tremendous growth in its football program. With that growth, fueled by the hiring of legendary coach Bo Pitterno, has come more fame, the need for a bigger stadium, and more complaints about seating, parking, long lines, and concession stand prices.

Southwestern Universitys president, Dr. Marty Starr, was not only concerned about the cost of expanding the existing stadium versus building a new stadium, but also about the ancillary activities. He wants to be sure that these various support activities generate revenue adequate to pay for themselves. Consequently, he wants the parking lots, game programs, andfoodservice to all be handled as profit centers. At a recent meeting discussing the new stadium, Starr told the stadium manager, Hank Maddux, to develop a break-even chart and related data for each of the centers.

He instructed Maddux to have the food service area break-even report ready for the next meeting. After discussion with other facility managers and his subordinates, Maddux developed the table below. This table shows the expected percent of revenue by item, the suggested selling prices, and his estimate of variable costs.

Selling Variable Percent   
ItemPrice/UnitCost/UnitRevenue   
Soft drink$1. 50 $ . 75 25%   
Coffee 2. 00 . 50 25%   
Hot dogs 2. 00 . 80 20%   
Hamburgers 2. 50 1. 00 20%   
Misc. snacks 1. 00 . 40 10%

Madduxs fixed costs are interesting. He estimated that the prorated portion of the stadium cost would be: salaries for food services at $100, 000 ($20, 000 for each of the five home games); 2, 400 square feet of stadium space at $2 per square foot per game; and six people in each of the six booths for 5 hours at $7 an hour. These fixed costs will be proportionately allocated to each of the products based on percentages provided in the table. For example, the revenue from soft drinks would be expected to cover 25% of the total fixed cost.

Maddux wants to be sure that he has a number of things for President Starr: 1, the total fixed cost that must be covered at each of the games. 2, the portion of the fixed cost that must be covered at each of the games/ 3, what his unit sales would be at break-even for each items- that is, what sales of soft drinks, coffee, hot dogs, and hamburgers are necessary to cover the portion of the fixed cost allocated to each of these items. 4, what the dollar sales for each of these would be at these break-even points, and 5, realistic sales estimates per attendee for attendance of 60, 000 and 35, 000 (in other words, he wants to know how many dollars each atendee is spending on food at his projected break-even sales at present and if attendance grows to 60, 000).

He felt this last piece of information would be helpful to understand how realistic the assumptions of his model are, and this information could be compared with similar figures from previous seasons.

DISCUSSION QUESTION

Prepare the report with the items noted so it is ready for Dr. Starr at the next meeting.