Whale printing company

Finance

introduction The case is about a printing company that has been offered a job to print 10, 000 copies of a marketing brochure within five days. The printing company has been offered a price of $700 for the job and this report analyzes the cost of the job and its benefits to the company and then suggests what decision should be taken by the President of the company, Victory Hussey. In addition to this, the report also analyzes non-accounting factors that could influence the decision of Victory Hussey while accepting or rejecting the job.

Whether Hussey Should take the job or not

Victor Hussey is the president of a printing company known as Whale Printing Company and he has been offered a job by the president of Salter Associates, Katherine Salter. The job is to print 10, 000 copies of a promotional brochure but the deadline of the project is tight and it has to be completed by Friday noon. Price agreed by the Katherine Salter previously is $700 for the printing work and Hussey has to either accept the job or reject it.

The following table explains the cost of this project which includes; direct labor, direct material, overheads as well as the selling and administrative expense for Whale Printing Company.

Cost

Cost amount in $

Direct Labor

185

Supplies

80

Overheads

475

Selling and Administrative expenses (10% of sales)

70

Total Cost

$810

As the total cost of the project is $810 whereas the revenue of the project earned would be $700, therefore by accepting the project, Whale Printing Company would have to incur a loss of $110. Therefore the job offered by the president of Salter Associates, Katherine Salter should not be accepted.

fixed and variable cost analysis

Variable costs are the costs that would change with changes in the output of the company and as company produces more or increases the output, variable cost of the company would increase. Whereas, fixed costs do not vary with the changes in output of the company and as output increases, fixed cost of the company remains fixed (Khan, 1993).

Using the variable cost analysis technique, the profit and loss of this project would be as follows:

Revenue

700

Variable Cost

Direct Labor

185

Supplies

80

Overheads

475

Total Variable Cost

740

Contribution Margin

-40

Selling and Administrative expenses (10% of sales)

70

Total fixed costs

70

Net Profit

-110

The above table shows that Whale Printing company would not be able to cover even its variable cost therefore the project should not be accepted.

Using the fixed cost method, the profit and loss of this project would be as follows:

Revenue

700

Cost

Direct Labor

185

Supplies

80

Overheads

475

Selling and Administrative expenses (10% of sales)

70

Total Cost

810

Net Profit

-110

Whale Printing company would be having net loss of $110 therefore the job should not be accepted.

Non accounting factor:

Following non-accounting factors would play a part in solving this case:

Meeting Deadline

One of the major question marks while accepting the project is about meeting the deadline. If Whale Printing Company is not able to meet the deadline, then Salter Associates might not pay them for the work. So, if they are not confident about meeting the deadline then they should not accept the job.

Image of the company

If the job is not completed on time, then it would hurt the image of the company and customers might not trust the wordings of Mr. Hussey in future.

Building long run customers

It is important to built long term customers for every company instead of looking for short term profits and as the deadline of the project is tight and if it is accepted and deadline is not met, then it would be a long term loss for Whale Printing Company. Plus the project itself is not acceptable in terms of profitability; therefore there is no reason why Mr. Hussey should accept the job.

Reference

Khan, M. (1993). Theory & Problems in Financial Management. Boston: McGraw Hill Higher Education.