

Hallstead jewelers case study

[Business](#)



Therefore, the net income would decrease. With this, the new breakable point would be \$13,810,734 which would require Hallstead Jeweler's to sell 9,760 units Calculations Average price reduced to 10%: x \$1397.

70 New Sales 7,500 x \$1397. 70 = Average bankable cost per unit New net Income contribution Margin per unit \$1397. 70 - \$903 = \$494. 70 Contribution Margin (units) units Contribution Margin (sales) -(7,500 x contribution Margin ratio Breakable sales 3. Both the break even point for sales in dollars and the break even point for number of unit sales has reduced.

The fact that this number has lowered is a good sign for the company.

This simply means that they would have to sell less number of units or earn lower revenue to reach the break even point. The net income at the end of the statement has increased as well, which again is good. Calculations:

Break even point in sales dollars point in number of sales tickets \$4889/0. 458 ? \$10674. 67 thousand \$4889/0. 712 = 6866 units Margin format Contribution Margin Ratio Margin per unit Price per unit \$10711/6897 -PVC \$5799 CM \$ 4912 Net Income \$887 \$4912/10711 ? 0.

458 \$4912/6897 -\$0. 712 -\$1. 55 4.

Here it is seen that the opposite of answer 3 happens. Both the point of break even for sales dollars and number of unit sales has gone up. Of course this is bad for the company as they now have to not only sell more units but also earn more revenue to break even the sales dollars.

We would suggest Gretchen and Michael to not invest heavily in the field of advertising by increasing the advertising expense by \$200,000 Calculations:

<https://assignbuster.com/hallstead-jewelers-case-study/>

$\$5089/0.418 = \12174.64 thousand $\$5089/0.649 = 7841$ units sales

$\$10711 - \text{PVC } \$6228 \text{ CM } \$4483 \text{ FCC } \$5089 \text{ Net Income } \(606)

$\$4483/10711 \approx 0.418$ $\$4483/6897 = \0.65

9.5. In actuality, the average sales tickets doesn't have to increase.

Hallstead Jeweler's could increase its unit sales to the point where the contribution margin equals the fixed costs (7,553 units) which would mean they reached the breakable point. However, they could also increase the average sales ticket to where the fixed cost divided by the contribution margin per unit equaled the number of units they sold last year, 6,897 units. This in turn would increase the contribution margin to equal the fixed costs. In order for this to happen, the average sales tickets must be 1,611.

86.

So, the average sales tickets would have to increase by \$58.86 if done this
 Average Sales ticket (6897 x \$903) = 1.86 Change in average sales tickets \$1
 1.86 - 1 = 0.86

Since the Net Income for 2006 is in negative, Hallstead Jeweler's should try and reduce their selling expense. First, they should not increase the salary of any employee and lower the salaries of some employees because salaries expense in 2006 is a lot more than 2003 and 2004, which is also increasing the selling expense by a huge number. Second, they should also give a fixed amount of commission so that the commission expense is less.