

big red bicycles pty
ltd essay sample



**ASSIGN
BUSTER**

According to the company's strategic plans, the company aims to achieve a net profit before tax of \$1, 000, 000. 00. Based on the master budget for the company, there are a number of things wrong with the way the budget is set out for the quarterly budgets, All the figures are the same, this should not be like this, as the quarterly budgets fluctuate, also according to the information given at hand Quarter 2# has 30% more sales than the other quarters. It is easy to recognize with a few changes, that the company can achieve their net profit goal of \$1, 000, 000. 00 before tax.

Here are some options for the company to take to achieve their \$1million net profit before tax are as followed:-

Option 1: Sales for the quarters (1, 3, and 4) are less 30% when they are put against quarter (2). That means that the volume of the master budget for Quarter (2) is going to increase 30% more than the other quarters and the commissions will increase 30% more than the other quarters as well. Option 2: Decrease the cost of goods sold and expense by 20% due to the current economic climate, doing this, the company can get more revenue by producing more volume for the sales and at the same time the company can deal with other suppliers to supply parts for their products to reduce the cost of making their products. Also the company can have a promotion for special prices and deals to keep customers happy and or the company's clients are kept happy too.

Option 3: Staff Commissions are standing at 2. 5%, The Company needs to negotiate with the staff to drop the commissions by a further 0. 5% to reach a 2% commission rate in order to reduce the cost to the company, this will

start to reduce costs and tax so that the company can start to achieve its goal of \$1, 000, 000. 00 before tax. If this option is taken or considered, cut backs on staff will have to take effect if the staff are not willing to negotiate their commissions and or salary/wages. Personally I think this option is a bad option to consider as it could make the staff members unhappy and possibly quit their jobs.

From options 1 to 3 its easy for the company to recognize that reducing the costs of goods sold, the expenses are increased as well as the sales volumes, doing this will allow the company to achieve their net profit of \$1, 000, 000. 00 before tax. I still strongly believe that option 3 is a bad option for the company to consider as this will make it hard for the company to keep their staff on long term bases and will lead to extra costs for training new staff more than before.