Surecut shears case write-up essay

The issues presented in this instance are chiefly due to incorrect premises about the market for gross revenues in 1995 and the subsequent retail downswing that followed. More specifically. Mr. Fischer (CEO of SureCut Shears) assumed gross revenues and demand in 1996 would be consistent with the anterior twelvemonth. However. as noted in the existent fiscal statements for 1996. stock lists grew. reflecting that demand for its merchandises was non as awaited beforehand. In add-on. gross revenues declined due to the retailing recession happening during the first half of 1996. Mr. Fischer besides believed that his “ peak” season for grosss would take topographic point in September of 1995. ensuing in increased purchases in that month. However. as he shortly finds out. he over-purchased and realizes gross revenues were non every bit good as predicted. This wrong appraisal caused the house to take on important debt. in the signifier of bank loans collectible. without sufficient income to cover it.

SureCut Shears’ inability to pay off its outstanding bank loan in March 1996 can be attributed to several grounds. Namely. Mr. Fischer’s ever-increasing debt stemming from bank loans over the past few months makes it hard for him to pay off the sum owed during that term. Additionally. given its unfortunate hard currency place from its retail recession. he realistically couldn’t have used this as a manner to pay off his overcoming bank debt. Finally. he falsely assumed that the modernisation works plan worth $ 6 million sum was made at the right clip. This is because. as a consequence of the accordingly worsening gross revenues. SureCut Shears finally farther pushed itself into a deeper hole due to this peculiarly ill-timed growing chance.

Acerate leaf to state. SureCut Shears fiscal place is instead refering. In peculiar. the works modernisation job. as estimated by Mr. Fischer. was expected to salvage $ 900. 000 per twelvemonth in fabrication costs. However. looking at the existent materials/labor costs under COGS in the fiscal statements provided in the Case Study. there is no $ 900. 000 whatsoever. There would hold had to hold been to be at least a $ 75. 000 lessening per month to account for this appraisal. but unluckily there is none.

Comparing this instance to the two before it. Wilson Lumber's state of affairs was thin in footings of net income. but the company was able to historically pay off bank loans. However. because Accounts Receivable rose excessively high. Wilson needed to systematically borrow more and more and had bank loans collectible rise excessively high. This is similar to Shears because the job revolves around lifting bank loans collectible nevertheless they differ in the fact that Wilson has the ability to pay off the loans if they could take down histories receivable because their gross revenues have stayed comparatively strong ; nevertheless. Shears does non look to be able to increase gross revenues due to inclement economic times.

Play Time Toy's state of affairs. on the other manus. attempted exchanging to level production but had jobs because they were non bring forthing as much gross revenues during the " non-peak" months. As a consequence. by maintaining production degrees constant. they were unable to cover for costs during said periods. doing this move an unwise determination. Surecut Shears. conversely. was more greatly affected by downturns the economic system. which ended up in their ain diminution in gross revenues.