

Hallstead jewelers essay



**ASSIGN
BUSTER**

Managerial Accounting

Question 1

Break even point in number of sales tickets 2003 2004 average sales tickets
 variable cost fixed cost sales tickets to break even 1607 725 2954 3349
 1524 768 2990 3955 2006 1553 814 3893 5267

Question 2

If average prices were reduced 10% and unit sales increased to 7, 500,
 would the company's income be increased? 2006 Avg. Sales Ticket Unit
 Sales Revenue COGS Fixed expenses \$1553 6897 \$10, 711, 041 \$5, 570,
 000 \$5, 547, 000 2007 \$1398 7500 \$10, 485, 000 \$6, 054, 590 \$5, 547, 000
 Per Unit \$1398 \$807 % Change YOY -10% +8. 7% -2. 1% +8. % 0% The
 company's revenue decreases by \$226, 041 annually by reducing prices, in
 spite of the increase in unit sales. Breakeven point in sales tickets and
 dollars: $0 = SP(x) - VC(x) - TFC$ $0 = 1398(x) - 807(x) - 5, 547, 000$ $0 = 591(x)$
 $- 5, 547, 000$ $591 (x) = 5, 547, 000$ $(x) = 9385$ tickets $9385 \times \$1398 = \$13,$
 120, 230 dollars

Question 3

Break even point without sales commissions 2003 average sales tickets
 variable cost fixed cost sales tickets to break even 1607 725 2954 3349
 2004 1524 768 2990 3955 without sales 2006 commissions 1553 814 3893
 5267 1398 514 3357 3797

Question 4

What impact will a change in advertising (discretionary fixed cost) have on the breakeven point? The breakeven point in dollars is \$13, 120, 230. If fixed costs are increased by \$200, 000, then the company will breakeven at 9724 unit sales or \$13, 594, 153 dollars. Using the numbers from the 2006 income statement, and projecting it forward based upon 2007 assumptions, the company will not breakeven under its current marketing and pricing strategy.

In terms of advertising, I would suggest more emphasis on customer relationship management to increase sales from existing customers. More specifically, I would recommend that the company use its advertising budget to target internet and social media marketing. These are cheaper media outlets with much wider reach and appeal.

Question 5

2006 2007- remaining same as 2006 average sales tickets variable cost fixed cost 1553 814 3893 1398 884 3893 1470 3797 increase sales tickets to break even 5267

Question 6

The objective going forward is to increase sales to 9385 units in order to breakeven. The strategy that I would recommend is customer relationship management (CRM). A properly implemented CRM program will increase sales from the company's database of loyal customers who value quality. These are the least expensive customers to target using social media like Facebook (fans and friends), search-engine optimization (SEO) of the

company's website, special-offer landing pages, and drip marketing campaigns.