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Prudence And Audacity: The House Of Beretta



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Introduction

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Verified 2008 Operating Plan

Item	2008 Budget	2007 Actual	Variance
Net Sales	1,000,000	950,000	(50,000)
Cost of Goods Sold	600,000	580,000	(20,000)
Gross Profit	400,000	370,000	(30,000)
Selling Expenses	100,000	100,000	0
Administrative Expenses	100,000	100,000	0
Interest Expense	50,000	50,000	0
Income Tax Expense	100,000	100,000	0
Net Income	100,000	80,000	(20,000)

Decrease in Forecasted Sales for 2008

Item	2008 Budget	2007 Actual	Variance
Net Sales	950,000	950,000	0
Cost of Goods Sold	580,000	580,000	0
Gross Profit	370,000	370,000	0
Selling Expenses	100,000	100,000	0
Administrative Expenses	100,000	100,000	0
Interest Expense	50,000	50,000	0
Income Tax Expense	100,000	100,000	0
Net Income	80,000	80,000	0

Flexible Expense Budget vs. Actual Expenses

Item	2008 Budget	2007 Actual	Variance
Selling Expenses	100,000	100,000	0
Administrative Expenses	100,000	100,000	0
Interest Expense	50,000	50,000	0
Income Tax Expense	100,000	100,000	0
Net Income	80,000	80,000	0

Flexible Budget vs. Original Budget

- More meaningful to compare the actual budget to the flexible budget
- Significant expenses are based on percentage of gross sales
- Shows where estimates were not an accurate representation

Differences between Actual Net Sales and Planned Net Sales

Item	2008 Budget	2007 Actual	Variance
Net Sales	1,000,000	950,000	(50,000)
Cost of Goods Sold	600,000	580,000	(20,000)
Gross Profit	400,000	370,000	(30,000)

Detailed Reconciliation of Actual Profit with Flexible Budget Profit in 2008

Item	2008 Budget	2007 Actual	Variance
Net Sales	950,000	950,000	0
Cost of Goods Sold	580,000	580,000	0
Gross Profit	370,000	370,000	0
Selling Expenses	100,000	100,000	0
Administrative Expenses	100,000	100,000	0
Interest Expense	50,000	50,000	0
Income Tax Expense	100,000	100,000	0
Net Income	80,000	80,000	0

Detailed Explanation of Differences



Recommendations



Conclusions

- Actual net sales were lower than budgeted
- Comparing Flexible budget to actual results is most meaningful for evaluating expenses
- Expenses were controlled well
- Implementing our recommendations can further improve profitability
- Questions?

Introduction

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Verified 2008 Operating Plan

Gross Sales		1,861,860
Number of Meals (10% increase)	200,200	
Lunch Revenue (40%; \$7.5 average)	600,600	
Dinner Revenue (60%; \$10.5 average)	1,261,260	
Net Sales		1,761,760
Number of Meals (10% increase)	200,200	
Lunch Revenue (40%; \$7 average)	560,560	
Dinner Revenue (60%; \$10 average)	1,201,200	
Food		1,024,023
Labor		199,040
Cooks (\$13/hr; 2,000 hrs*4)	104,000	
Cashiers/Servers (See Calculation)	95,040	
Other Operating Expenses (8% of gross sales)		148,949
Contribution		389,748
Advertising (3.5% of gross sales of entire chain)		65,165
Miscellaneous (fixed)		3,000
Depreciation (\$2,000/month)		24,000
Insurance (same as 2007)		9,400
Licenses and Fees (4% increase)		11,700
Rent (Base-\$6,000/month)		72,000
Rent (Overage)		3,093
Management (given)		95,000
Profit		\$106,390

Rent (Overage) Verification Calculation

Rent Overage:		
Amount over \$1,000,000		\$61,800
Overage Fee		276
Total Fee		\$62,076

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Labor Expense Verification Calculation

Number of Meals	200,200	
Cooks (\$13/hr)	2,000	26,000
Cashiers/Servers (\$10/hr)	195,200	195,200
Total Labor		221,200

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Rent (Overage) Verification Calculation

Rent Overage:	
Amount over \$1,800,000	\$61,860
Overage Fee	5%
Total Fee	<u>\$3,093</u>

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Labor Expense Verification Calculation

Verified			
Cooks	<u>Wage per Hour</u>	<u>Number of Hours</u>	<u>Total Labor</u>
	13.00	8,000	104,000
Cashiers/Servers	<u>Meals Per Hour</u>	<u>Number of Hours</u>	<u>Total Labor</u>
	6.32	31,680	95,040
			<u>\$199,040</u>
2008 Plan			
Cooks	<u>Wage per Hour</u>	<u>Number of Hours</u>	<u>Total Labor</u>
	13.00	8,000	104,000.00
Cashiers/Servers	3.00	32,032	96,096.00
			<u>\$200,096</u>

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Verified 2008 Operating Plan

Gross Sales		1,861,860
Number of Meals (10% increase)	200,200	
Lunch Revenue (40%; \$7.5 average)	600,600	
Dinner Revenue (60%; \$10.5 average)	1,261,260	
Net Sales		1,761,760
Number of Meals (10% increase)	200,200	
Lunch Revenue (40%; \$7 average)	560,560	
Dinner Revenue (60%; \$10 average)	1,201,200	
Food		1,024,023
Labor		199,040
Cooks (\$13/hr; 2,000 hrs*4)	104,000	
Cashiers/Servers (See Calculation)	95,040	
Other Operating Expenses (8% of gross sales)		148,949
Contribution		389,748
Advertising (3.5% of gross sales of entire chain)		65,165
Miscellaneous (fixed)		3,000
Depreciation (\$2,000/month)		24,000
Insurance (same as 2007)		9,400
Licenses and Fees (4% increase)		11,700
Rent (Base-\$6,000/month)		72,000
Rent (Overage)		3,093
Management (given)		95,000
Profit		\$106,390

Rent (Overage) Verification Calculation

Rent Overage:		
Amount over \$1,000,000		\$61,800
Overage Fee		276
Total Fee		\$62,076

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Labor Expense Verification Calculation

Number of Meals	200,200	
Cooks (\$13/hr)	2,000	26,000
Cashiers/Servers (\$10/hr)	95,040	950,400
Total Labor		1,016,400
Management (\$10/hr)	9,500	95,000
Total Labor		1,111,400

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Decrease in Forecasted Sales for 2008

	<u>3,850 Meals</u>	<u>3,700 Meals</u>	<u>Variance</u>
Gross Sales:	1,861,860	1,789,320	(72,540)
Number of Meals (3,700 meals served instead of \$3,850)	200,200	192,400	
Lunch Revenue (40%; \$7.5 average)	600,600	577,200	
Dinner Revenue (60%; \$10.5 average)	1,261,260	1,212,120	
Net Sales	1,761,760	1,693,120	(68,640)
Number of Meals (3,700 meals served instead of \$3,850)	200,200	192,400	
Lunch Revenue (40%; \$7 average)	560,560	538,720	
Dinner Revenue (60%; \$10 average)	1,201,200	1,154,400	
Food	1,024,023	984,126	(39,897)
Labor	199,040	195,337	(3,703)
Cooks (See Supporting Calculation)	104,000	104,000	
Cashiers/Servers (See Supporting Calculation)	95,040	91,337	
Other Operating Expenses (8% of gross sales)	148,949	143,146	(5,803)
Contribution	389,748	370,511	(19,237)
Advertising (3.5% of gross sales of entire chain)	65,165	62,626	(2,539)
Miscellaneous (fixed)	3,000	3,000	-
Depreciation (\$2,000/month)	24,000	24,000	-
Insurance (same as 2007)	9,400	9,400	-
Licenses and Fees (4% increase)	11,700	11,700	-
Rent (Base-\$6,000/month)	72,000	72,000	-
Rent (Overage) (less than \$1,800,000)	3,093	-	(3,093)
Management (given)	95,000	95,000	-
Profit	<u>\$106,390</u>	<u>\$92,785</u>	<u>(\$13,605.04)</u>

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