

4.4: Salty Pawz Financial Information

Sales + Revenue

For the last six months, Wanda's sales have broken down as shown below. She has also provided you with her cost for each variety of treat.

Sales and Revenue Breakdown

Product	% of Sales	Sales Price	COGS	Contribution	Profit Margin	Weighted Profit Margin
Party Pooch	45%	\$20.00	\$10.40	\$9.60	48.00%	21.60%
Chicken Cuties	18%	\$15.00	\$7.80	\$7.20	48.00%	8.64%
Bison Bites	5%	\$21.00	\$10.80	\$10.20	48.57%	2.43%
Lamb Lovies	32%	\$24.00	\$12.60	\$11.40	47.50%	15.20%
Total Sales % (Must equal 100%)	100%			Average Profit Margin	47.87%	

Cost of Goods Sold

Wanda's COGS include the packaging, labeling, the ingredients, and the time it takes to make the treats. Since she can bake them in big batches, her labor cost per unit is very low.

When Wanda ships her products, she charges just what it costs her. Shipping is done on a cost recovery basis and currently she doesn't consider it in her income/expenses.

Price and Cost of Goods Sold by Unit

Product Unit	Sales Price	COGS
Chicken Cuties	\$1.25	\$0.65
Bison Bites	\$1.75	\$0.90
Lamb Lovies	\$2.00	\$1.05

Monthly Expenses

Currently Wanda's monthly expenses are:

Salty Paws Monthly Expenses

Expense	Amount
Rent	\$0.00
Electricity	\$0.00
Telephone	\$100.00
Water/Sewer	\$0.00
Internet	\$60.00
Website	\$175.00
Salaries	\$0.00
Owner's Draw	\$1000.00
Office Supplies	\$50.00

Expense	Amount
Loan Payment	\$0.00
Insurance	\$85.00
Other	\$0.00
Total Overhead	\$1,470.00

Sales Mix

Currently Wanda's customers purchase her products at the following ratios:

Product Purchase Ratios

Product	% of Sales
Party Pooch	45%
Chicken Cuties	18%
Bison Bites	5%
Lamb Lovies	32%
Total % of Sales	100%

Break Even Calculation

Average Sales per customer: \$20.00

Total overhead (as in table above): \$1,470.00

Average profit margin (as in table above): 47.87%

BREAKEVEN = Total Overhead divided by Average Profit Margin

$$\text{BREAKEVEN} = \frac{\text{Total Overhead}}{\text{Average Profit Margin}} = \frac{\$1,470.00}{47.87\%} = \$3,070.91$$

Based on her current monthly expenses and sales mix, this is what Wanda has to sell in order to break-even:

Product Breakeven in Dollars and Units

	BREAKEVEN	Party Pooch	Chicken Cuties	Bison Bites	Lamb Lovies
Monthly In Dollars	\$3,070.91	\$1,381.91	\$552.76	\$153.55	\$982.69
In Units		69	37	7	41

Forecasting Supply and Demand

Wanda is at capacity for production out of her kitchen, so she believes that she is at the maximum income she can generate with her current structure. If Wanda changes her pricing structure, the following quantities demanded and quantities supplied will result.

Chicken Cuties
Response in Supply & Demand to Price Changes

Price (\$)	Demand (Q)	Supply (Q)
\$0.75	1000	500
\$1.00	900	650
\$1.25	800	800
\$1.50	700	1000
\$1.75	600	1400

Price (\$)	Demand (Q)	Supply (Q)
\$2.00	500	1500

Bison Bites
Response in Supply & Demand to Price Changes

Price (\$)	Demand (Q)	Supply (Q)
\$1.00	1200	500
\$1.25	1100	600
\$1.50	900	700
\$1.75	800	900
\$2.00	700	1000
\$2.25	400	1400

Lamb Lovies
Response in Supply & Demand to Price Changes

Price (\$)	Demand (Q)	Supply (Q)
\$1.75	1500	800
\$2.00	1400	900
\$2.25	1200	1000
\$2.50	1000	1200
\$2.75	800	1400
\$3.00	700	1600

Party Pooch
Response in Supply & Demand to Price Changes

Price (\$)	Demand (Q)	Supply (Q)
\$16.00	1400	600
\$18.00	1200	700
\$20.00	1100	800
\$22.00	1000	1000
\$24.00	900	1200
\$26.00	800	1400

Income Information

Here is a summary of Wanda's Salty Pawz income information for the past 6 months.

Salty Paws 6 Month Income Statement

Income:	
Party Pooch	\$ 40,500.00
Chicken Cuties	\$ 16,200.00
Bison Bites	\$ 4,515.00

Lamb Lovies	\$ 28,800.00
Total Income	\$ 90,015.00
Cost of Good Sold:	
Party Pooch	\$ 21,060.00
Chicken Cuties	\$ 8,424.00
Bison Bites	\$ 4,515.00
Canine Craving	\$ 15,120.00
Total Cost of Sales	\$ 49,119.00
GROSS PROFIT	\$ 40,896.00
Operating Expenses:	
Rent	\$ –
Electricity	\$ –
Telephone	\$ 600.00
Water /Sewer	\$ –
Internet	\$ 360.00
Website	\$ 1,050.00
Salaries	\$ –
Owner's Draw	\$ 6,000.00
Office Supplies	\$ 300.00
Loan Payment	\$ –
Insurance	\$ 510.00
Other	\$ –
Total Expenses	\$ 8,820.00
NET INCOME BEFORE TAXES	\$ 32,076.00

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