

32.17: Assignment- Bison Are Biting into Wanda's Break-Even Point

Scenario

Wanda has analyzed her sales figures and decided that she is charging too much for Bison Bites, because they only represent 5 percent of her total income. She has a good profit margin on them, so she believes she can reduce the price by \$0.25 per biscuit and still make the product profitable.

She comes to you with the proposal above, along with a few related questions. She has provided you with income and expense information to help you figure this out what she should do.

Note: An Excel spreadsheet with financial information needed to complete this assignment has been provided here: [Salty Paws Written Assignment Excel Spreadsheet: Break Even Analysis](#).

Your Task

Help Wanda answer the following questions:

1. What effect will this price reduction have on Salty Pawz's break-even point? Assume that the product sales mix remains unchanged. (Tip: Remember that because Bison Bites are included in the Party Pooch, the price change on Bison Bites would also affect the sales price of the Party Pooch.)
2. If Wanda reduces the price on the Bison Bites to \$1.50, she believes it will cause customers buying Chicken Cuties to switch to the Bison Bites. The revised product mix is provided in the table below. What is the effect on Wanda's break-even point if she reduces the bison product price and customers buy more Bison Bites and fewer Chicken Cuties? (Tip: Remember that because Bison Bites are included in the Party Pooch, the price change on Bison Bites would also affect the sales price of the Party Pooch.)
3. In addition to the numbers, provide Wanda with a written explanation of the changes to her break-even point under both of the scenarios presented.

Revised Product Mix

Products/Services	% of Sales
Party Pooch	45%
Chicken Cuties	13%
Bison Bites	10%
Lamb Lovies	32%

Grading Rubric

Sample Rubric

Criteria	Not Evident: 0%	Developing: 55%	Proficient: 80%	Distinguished: 100%	Weight
Calculate the break-even point for the new prices if the product mix remains unchanged.	0 points	11 points	16 points	20 points	20%

Calculate the break-even point if the bison product price is reduced, assuming customers buy more Bison Bites and fewer Chicken Cuties.	0 points	11 points	16 points	20 points	20%
Illustrate the break-even points calculations.	0 points	11 points	16 points	20 points	20%
Predict the effects of the new prices based on the break-even point calculations.	0 points	16.5 points	24 points	30 points	30%
Articulation of response (citations, grammar, spelling, syntax, or organization that negatively impact readability and articulation of main ideas).	0 points	5.5 points	8 points	10 points	10%

Total points possible: 100

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