The Annie Smith Dance Center

The Director of Annie Smith Dance Center is asking for assistance with the financial aspects of running a professional group of performers. She wants financial information presented in an easy to read format and a better understanding of the profitability of the concerts and the organization as a whole.

The Annie Smith professional group features three styles of dance concerts each year. Two of the dance concerts showcase a different genre. The third performance is a Christmas Spectacular, which is the most popular and is therefore scheduled every year. The table below provides information about expected ticket sales for the performances.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| Lower Orchestra Section (A) | | |  |  |
| DESCRIPTIONS | # of Seats | Ticket Price | Tickets Sold per Performance |  |
| Hip-Hop Performance | 150 | $85 | 100% |  |
| Jazz & Tap Dance | 150 | $85 | 100% |  |
|  | 150 | $125 | 100% |  |
|  |  |  |  |  |

|  |  |  |  |
| --- | --- | --- | --- |
| Upper Orchestra Section (B) | | | |
| No. of Seats | Ticket Price | Tickets Sold per Performance |  |
| 450 | $50 | 90% |  |
| 450 | $50 | 60% |  |
| 450 | $50 | 100% |  |
|  |  |  |  |

Ms. Smith has prepared a tentative schedule for the coming season. The table below also shows the type and number of performances and direct cost per type of concert.

|  |  |  |  |
| --- | --- | --- | --- |
| DESCRIPTIONS | NUMBER OF PERFORMANCES | COSTS per Dance Concert (direct fixed costs)\* |  |
| HIP-HOP CONCERT | 10 | $48,000 |  |
| Jazz and Tap Dance | 5 | 86,000 |  |
| Christmas Spectacular | 20 | 22,000 |  |
|  |  |  |  |
| Total Direct Fixed Costs |  | $156,000 |  |
|  |  |  |  |

\*Examples of direct fixed costs are costumes, rehearsals, royalties, guest artist fees, choreography, and salaries of production staff, music, and wardrobe for each of the concerts. This amount does not change with the number of performances.

Additional costs:

Variable costs associated with each performance are shown below.

|  |  |  |
| --- | --- | --- |
| MUSICIANS | $6,100 |  |
| Rental of Auditorium | 2,500 |  |
| Dancer's compensation | 6.7 |  |

Annual general administrative and operating costs for the dance center are:

|  |  |  |
| --- | --- | --- |
| Administrative staff | $185,000 |  |
| Insurance | 25,000 |  |
| Marketing | 115,000 |  |
| General office expenses | 90,000 |  |

Required: Computations (use Excel)

Summarize key financial information in a table as shown below.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Name of Dance Concert | Revenues/Performance | Variable Costs/Performance | Contribution Margin/Performance | Number of Performances | Total ContributionType of Dance Concert/ | Direct Fixed Costs | Segment Margin/Type of Concert |
| 1 |  |  |  |  |  |  |  |
| 2 |  |  |  |  |  |  |  |
| 3 |  |  |  |  |  |  |  |
| TOTAL |  |  |  |  |  |  |  |

* Use the information in the table you completed to compute the number of performances required to break even for each concert. Do not include general and administrative expenses. These are separate computations for each dance concert.
* Compute break even for the organization as a whole (include all fixed expenses) and express the result in revenues instead of the number of performances.
* Ms. Smith wants the Dance Center to generate at least $200,000 in operating profit. What level of revenues does the performance group need to achieve to meet this goal? Prepare an income statement in good format to support the computations.
* Give a recommendation about changes Ms. Smith can implement to achieve the target profit. Support your idea with computations.

**Memo (use Word)**

Write a 4- or 5-paragraph memo to the owner of the dance center to assist her in interpreting the financial analysis. Start with an introduction and end with a recommendation. Each of the four or five paragraphs should have a heading.

**Short Essay (use Word)**

Start with an introduction and end with a summary or conclusion. Use headings.

* What are some shortcomings of multi-product even analysis?
* How does demand and resource constraints affect this type of analysis.

Each submission should include two files:

(1) An Excel file

(2) A Word document.

The Word document shows the memo first and short essay last

**Second part of the presentation**

USE THE INFO FROMCASE 1B.

Required:

Include the following items in your presentation:

* What about special pricing for some markets or customers?
* Determination of customer profitability
* Show effect on revenues and profitability based on stated assumptions.
* Potential advantages and disadvantages, both financial and non-financial

Submit a PowerPoint presentation - A PowerPoint presentation should have no more than six slides

OR

A Word Document - A Word document cannot exceed two pages. Use words, tables, and graphs to make a succinct presentation.

Document all sources and provide links at the end.

It is acceptable to add another slide or page to list the sources.

\*\*\* SINCE USING THE INFO FROM CASE 1B, IF YOU CHOOSE A SLIDE, CONTINUE USING POWERPOINT. IF YOU USED WORD, CONTINUE TO USE WORD, OR WHICH EVER FORMAT WAS USED, THAT WILL BE INCORPORATED INTO THIS ASSIGNMENT\*\*\*\*