Decision Cases

Case 1. Donna Tse has recently accepted the position of assistant manager at Cycle World, a bicycle store in St. Louis. She has just finished her accounting courses. Cycle World's manager and owner, Jeff Towry, asks Tse to prepare a budgeted income statement for 2011 based on the information he has collected. Tse's budget follows:

CYCLE WORLD
Budgeted Income Statement
For the Year Ending July 31, 2011

Sales revenue		$244,000
Cost of goods sold		177,000
Gross profit		67,000
Operating expenses:		
Salary and commission expense	$ 46,000	
Rent expense	8,000	
Depreciation expense	2,000	
Insurance expense	800	
Miscellaneous expenses	12,000	68,800
Operating loss		(1,800)
Interest expense		(225)
Net loss		$ (2,025)

Requirement

1. Tse does not want to give Towry this budget without making constructive suggestions for steps Towry could take to improve expected performance. Write a memo to Towry outlining your suggestions.