

As Samantha Stuarts is a set up manufacturer of high-end sandals and me, being the Chief Financial Officer of Samantha Stuarts Sandals. I am responsible for the business plan financially. My plan is to start off with the basic costing system so that I am able to gather my productions price. I plan to use the Job Order Costing, reason being so that I could manufacture all costs separately. All costs are direct material, direct labor and manufacturing overhead. I would start with receiving the first order of sandals. When receiving the first order, I would have to request certain amount of materials from the warehouse and record this to my journal entry to keep in track. This would record my inventory which would lead to direct material. In order to manufacture the sandal(s), I would be in need of workers (employees) to help with the manufacturing. This leads to wages payable and that would also need to be recording to my journal entry and record to the direct labor for the job. The manufacturing overhead then comes to play. This is assigned based on a predetermined overhead rate based on the direct labor hours. After calculating the predetermined overhead rate, that would be recorded into the journal entry, manufacturing overhead. After finishing the product and shipping it, it is recorded to the journal entry as finished goods and work in process inventory. Keeping in mind that there are still costs, such as direct material, direct labor, and manufactured overhead. The customer receives the product and receives bill. This is recorded as two separate entries. One entry removes the product from inventory and it records the cost. While the other entry records the sale and accounts receivable at SALES PRICE. I would also use the breakeven point analysis. This is very important in a business because it's important to be aware of where its breakeven point is. This is no profit or loss but beyond it, it will be profitable for Samantha Stuart's Sandals. It's important to be aware that if the breakeven point is too high, it is risky for Samantha Stuart's Sandals

because it will need to sell a large amount before becoming profitable. However, to get to the breakeven point, variable costs, fixed costs, mixed costs and relevant range is involved. Variable costs are costs that differ with production. As it increases the costs increase as well. Direct material and direct labor as examples of variable costs. For fixed costs, it does not differ with production. These remain constant as production increases and decreases. Some examples are known as real estate taxes and insurance. Mixed costs have a fixed component and variable component and most of the time they have a fixed base charge and a variable usage charge. An example would be electricity charges. Lastly, relevant range is the production range where variable costs remain variable and fixed costs remain fixed. Contribution margin is also important in this process; it is known as the sales price per unit minus the variable costs per unit. This covers the fixed costs up to the breakeven point and later, it provides the profit “margin”. Cash Forecasting would also be part of my business plan, which would be the calculations of how much cash was collected during a certain month. Using this plan, it would help me as the Chief Financial Officer run Samantha Stuart’s Sandals business smoothly, financially.