**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 understand of the profitability of the concerts and the organization as a whole.

The Annie Smith professional group features four dance concerts each year. Three of the dance concerts showcase a different genre. The fourth performance is a Christmas Spectacular, which is the most popular dance concert and is therefore scheduled every year. Ms. Smith has tentatively scheduled the following four dance concerts for the coming season. The schedule below shows the type and number of performances and direct cost per type of concert. 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 four concerts.

|  |  |  |
| --- | --- | --- |
| **Descriptions** | **Number of Performances** | **Cost per Dance Concert (direct fixed costs)** |
| Hip Hop Concert | 10 | $45,000 |
| Jazz and Tap Dance | 5 | 88,000 |
| Modern Dance | 10 | 95,000 |
| Christmas Spectacular | 20 | 25,000 |
|  |  |  |
|  |  | $253,000 |

Additional costs:

Variable costs associated with each performance are shown below.

|  |  |
| --- | --- |
| Musicians | $7,500 |
| Rental of auditorium | 2,500 |
| Dancers' compensation | 7,000 |

General administrative and operating costs for the dance center are:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Administrative staff | | | | | $185,000 | | | | | |
| Insurance | | | | | 25,000 | | | | | |
| Marketing | | | | | 215,000 | | | | | |
| General office expenses | | | | | 90,000 | | | | | |
|  | **Lower Orchestra Section (A)** |  |  | | | **Upper Orchestra Section (B)** |  |  | | |
| **Descriptions** | **No. of Seats** | | | **Ticket Price** | **Tickets Sold per Performance** | **No. of Seats** | | | **Ticket Price** | **Tickets Sold per Performance** |
| Hip Hop Performance | 150 | | | $85 | 100% | 450 | | | $50 | 90% |
| Jazz and Tap Dance | 150 | | | $85 | 100% | 450 | | | $50 | 60% |
| Modern Dance | 150 | | | $85 | 100% | 450 | | | $50 | 95% |
| Christmas Spectacular | 150 | | | $125 | 100% | 450 | | | $50 | 100% |

**Required:**

**Computations (use Excel)**

* Summarize key financial information in a table as shown below.

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Title** |  |  |  |  |  |  | | | | | | |
| **Name of Dance Concert** | | | | | | | **Revenues/Performance** | **Variable Costs/Performance** | **Contribution Margin/Performance** | **Total Contribution/Type of Dance Concert** | **Direct Fixed Costs** | **Segment Margin/Type of Concert** |
| 1. | | | | | | |  |  |  |  |  |  |
| 2. | | | | | | |  |  |  |  |  |  |
| 3. | | | | | | |  |  |  |  |  |  |
| 4. | | | | | | |  |  |  |  |  |  |
| **Total** | | | | | | |  |  |  |  |  |  |

* Prepare a segmented income statement in good format.
* Compute the number of performances required to break even for each concert. These are separate computations for each dance concert.
* Compute break even for the organization as a whole and express the result in revenues instead of the number of performances.
* Ms. Smith wants to performance group to show at least $150,000 in operating profit. What level of revenues does the performance group need to achieve to meet this goal?
* Give a recommendation about changes Ms. Smith can make to achieve the target profit. Support your idea with computations.

**Memo (use Word)**

Write a four or five 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.