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Put in this scenario, if I had to choose between reducing my advertising budget or sadly let go of an employee, the best decision would be to part ways with that sales employee. After calculating the expenses, the reducing of the advertising budget to 50,000 will make the total of expenses 475,000. To find the gross margin you must divide the expenses 475,000 by the net sales 1,500,000 which equals 31.7% To find the net profit you must take 34% gross margin subtracted by 31.7% which remains 2.3% as a net profit. As a store manager if I decided to terminate a sales employee expenses will total 465,000. If you have 465,000 divided by 1,500,000 the result equals 31%. (34% - 31% = 3% net profit). Based on these results of each equation, terminating the sales employee would be the best decision because expenses will be reduced in a result of 3% net profit.