



Case Study: Mark the Magician's Branding and Financial Expansion in British
Columbia

ACCT 621: ACCOUNTING FOR MANAGERS

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Executive Summary

British Columbia magician Mark the Magician needs more gigs and exposure. Our piece discusses his financial options, including working with a social media team and moving to the studio. Mark can pay for the social media partnership with \$1,000 monthly, \$10,800 cryptocurrency (a 10% discount), or \$5,000 for 10% owner equity. Each option entails cost, control, and growth incentive financial trade-offs. Mark may spend \$10,000 on studio equipment to expand, which would increase fixed costs and need careful planning.

The analysis showed Mark's home-based firm is profitable and efficient. With 0.35 shows each month, it breaks even with \$850 fixed expenses and \$2,430 contribution margins. The studio setup adds \$2,850 in fixed costs, boosting the monthly break-even to 1.17 shows. The studio can hold larger concerts, but Mark needs schedule 10 events per month to make it profitable. Depreciation from the equipment investment complicates taxable and net income by \$1,800 each year.

Cryptocurrency payment cuts social media collaboration costs but increases liquidity and market volatility risk. The most predictable but least cost-effective choice is monthly fees, whereas equity aligns incentives but dilutes ownership. Due to higher expenses, studio cash flow analysis reduces the monthly surplus to \$18,750 from \$20,600. Mark should save and consider a 5% line of credit to cover deficits for financial security. Mark must balance financial sustainability and growth. Avoiding risks and implementing good financial practices will help him develop and earn in the competitive entertainment sector.

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Introduction

Mark the Magician, from British Columbia, is known for his captivating performances. Weddings, parties, and corporate gatherings are his gigs. With five shows and a \$2,500 premium, he makes \$12,500 per month. Online advertising, internet, software, and insurance all cheap for his home-based firm.

Mark wants to build his brand and exposure in the competitive entertainment business despite running a thrifty firm. He believes a social media marketing business would boost his bookings, digital visibility, and finances. He considers a studio-based arrangement for larger shows and greater performances while evaluating partnership approaches.

This study examines Mark the Magician's business expansion plan's finances and suggests strategies. The proposed social media partnership's payment options, studio-based financial feasibility, and major investment and operational decisions will be assessed. Mark should make prudent financial decisions to enhance growth and reduce risk. The study will evaluate the marketing team's payment models, estimate operational break-even points, and predict business growth-related income and expenses. It will also establish a cash budget to estimate monthly cash flows, recommend fiscal management internal controls, and advise on record-keeping and financial reporting. The study will help Mark grow his business using sustainable and profitable methods.

This report's financial, operational, and strategic components assess Mark's expected business growth, including the marketing collaboration and studio move. Payment model cost-benefit evaluations, revenue estimations, spending forecasts, break-even calculations, and new equipment depreciation are included. Cash flow management, borrowing requirements assessments, and financial security internal control recommendations are given. The report has many flaws. Assumptions include 10 monthly shows and stable operational

expenditures. Mark's finances may be affected by market, competitive, and cost fluctuation. Cryptocurrency market volatility may raise financial risk if used as payment. Due to these limits, business growth requires continual financial analysis and changes.

Key Issues

Mark the Magician faces financial and operational challenges as he builds his British Columbia entertainment business. His biggest worries include picking a social media marketing partnership payment structure, limiting escalating operational costs, and applying proper financial controls and planning. Mark must first determine the ideal social media team salary structure. He can pay \$1,000 monthly, \$10,800 cryptocurrency with a 10% discount, or \$5,000 for 10% business stock. Risks and benefits vary by option. Monthly payments ensure expenditure but cost the highest at \$12,000 per year. One-time bitcoin payments are cheaper but risk cryptocurrency market volatility and need a significant upfront cash commitment.

Equity investments reduce upfront payments but share corporate ownership, reducing Mark's future revenue and brand control. Balance financial feasibility, control retention, and long-term business performance while choosing a paying plan. As business increases, Mark's second worry is operational expense management. From five to ten concerts each month will raise his variable expenses for supplies, transportation, and insurance. Moving from a home-based setup with \$850 in fixed monthly expenses to a studio-based setup with \$2,850 is expensive due to rent, utilities, and advertising.

Mark must spend \$10,000 on equipment that depreciates \$1,800 each year for five years. He must calculate his break-even point in both companies and decrease costs by buying cheaper props or negotiating better supplier contracts to succeed. Mark must strengthen financial planning and internal controls for his growing business. Increased revenue, cash, online transfers, and cryptocurrency payments will make tracking revenues

and expenses difficult. Mark must separate company and personal accounts, record transactions accurately, and reconcile bank accounts. His accurate cash budget will help him forecast cash inflows and expenditures, covering expenses even in slow months. These methods boost corporate growth and reduce financial risk.

Analysis

1. Payment Option Analysis

Overview of Social Media Partnership Options

Mark has three payment options to choose from when hiring a social media team to grow his business. The first option is a monthly fee of \$1,000, which translates to an annual cost of \$12,000. This option provides a predictable, steady expense but is the most expensive overall. The second option is one cryptocurrency payment of \$10,800, reflecting a 10% discount. It will minimize the total cost but requires a large initial outlay and involves a degree of risk due to market fluctuations in the cryptocurrencies. The third option is a \$5,000 investment in exchange for 10% equity in Mark's business. This option aligns financial success of the social media team to the growth of Mark's brand but also dilutes ownership, reducing Mark's future profits and control over his business.

Table 1 Payment Options

Scenario	
Option 1	
Monthly Fees	1000
Option 2	
One -time payment in	10800
cryptocurrency	

Discount	10%
Option 3	
Investment	5000
Ownership	10%

(Self-Created, 2024)

Cost-Benefit Analysis

Monthly Fee Option: With an annual cost of \$12,000, this option provides financial predictability, allowing Mark to spread the expense over the year. Importantly, it preserves his full ownership and control of the business. However, it incurs the highest total cost over time compared to the other options.

Lump Sum Cryptocurrency Payment: This reduces the overall expense to \$10,800, saving Mark \$1,200 in the comparison with the monthly payment. However, it leaves him exposed to the cash-flow strain of having to meet the lump sum upfront; the value of the cryptocurrency payment may also fluctuate with the market and present a risk.

Equity Investment Option: This option does not immediately result in cash outflows and aligns the social media team's efforts with Mark's growth. It, however, results in permanent loss of 10% ownership and profit-sharing obligations, which could negatively affect Mark's long-term financial goals and control over business decisions.

Financial and Strategic Recommendations

It pays Mark to want to hold control and using the cryptocurrency in payment does him the minimum cost given he has available liquidity. He can choose the equity option if having liquidity at his disposal poses a constraint or if it is just more important to him for the growth.

The best of the bunch is also the monthly cost, owing to its least attractive option with the higher cumulative amount.

2. Profitability and Cost Structure Analysis

Current Financial Overview

Under the home-based setup, Mark generates \$12,500 in monthly revenue from five shows at \$2,500 per show. Since variable costs are \$350, he generates a contribution margin of \$2,430 per show. At \$850 in fixed monthly costs, total monthly profits equal \$23,450.

Table 2 Current Financial Overview

Particulars	Home-Based Setup:
Fees	2500
Number of Shows	5
Total monthly payment	12500
Cost: -	
Variable Cost (50 supplies, 20 transportation)	70
Monthly Variable cost	350
<u>Contribution</u>	2430
Fixed Cost	
Advertisement	500
Software Subscription	200
Insurance	150
Rent	
Total Fixed Cost	850

(Self-Created, 2024)

Break-Even Analysis

Home-Based Setup: The break-even point calculates to $(850 / (2500 - 70) = 0.35)$ in a month. The lower the break-even point for the home-based model reflects its efficiency.

Studio Setup: As fixed costs increase to \$2,850, the break-even point increases to $(2850 / (2500 - 70) = 1.17)$ shows per month. Such an increase reflects the additional monetary cost of the studio setup (Sintha, 2020).

Table 3 Breakeven Analysis

Break even	Home-Based Setup:	Studio Setup:
Break even	$850 / (2500 - 70)$	$2850 / (2500 - 70)$
Break even	0.35	1.17
Notes		
Break even	Fixed Cost (Revenue per Show - Variable Cost per Show)	

(Self-Created, 2024)

Impact of Variable Cost Reduction

Reducing the variable cost per show from \$70 to \$56 increases the contribution margin by a slight amount to \$2,444 per show. This marginal improvement does not impact profitability significantly but adds up incremental savings over time (Kim et al., 2024).

Table 4 Variable Cost Reduction

	New Variable Cost	
Particulars	Home-Based Setup:	Studio Setup:
Fees	2500	2500
Number of Shows	5	10

Total monthly payment	12500	25000
Cost: -		
Variable Cost (50 supplies, 20 transportation)	56	56
Monthly Variable cost	280	560
<u>Contribution</u>	2444	2444
Fixed Cost		
Advertisement	500	1000
Software Subscription	200	200
Insurance	150	150
Rent		1500
Total Fixed Cost	850	2850

(Self-Created, 2024)

Profitability Forecast

For the studio setup, fixed costs jump significantly, and profitability depends on a minimum of 10 shows per month to stay profitable. The home-based setup is still highly efficient and profitable, but the studio setup introduces scalability at a higher financial risk if demand does not come in as projected.

Table 5 Profitability

Additional Profit	Home-Based Setup:	Studio Setup:
Additional Profit	23590-23450	21590-21450
Additional Profit	140	140
Notes		
Additional Profit	Profit as of New Variable Cost - Profit as of Old Variable Cost)	

(Self-Created, 2024)

3. Investment and Depreciation Analysis

Required Equipment Investment

Mark intends to invest \$10,000 in professional lighting, sound equipment, and stage props for his studio setup. The equipment is estimated to have a residual value of \$1,000 and an expected useful life of five years.

Calculation of Depreciation

Using the straight-line method of depreciation, annual depreciation expense will be determined as follows: $[(10,000 - 1,000) / 5 = 1,800]$. This is a non-cash expense that will lower taxable income by \$1,800 per year (Nechaev & Rasputina, 2020).

Table 6 Purchasing of Equipment

Purchasing of Studio	
professional lighting and sound	6000
stage props	4000
Total	10000
Scrap	1000
Useful life	5
Depreciation	1800

(Self-Created, 2024)

Depreciation reduces taxable income, thereby lowering Mark's tax liability. However, it also reduces reported net income, which may impact financial reporting. Over time, this depreciation expense helps offset the initial investment cost and provides a tax shield.

4. Cash Budget and Borrowing Plan

Mark expects to make \$25,000 in monthly revenues from 10 shows from both home-based and studio-based set-ups. Cost of doing business, however differs.

Variable costs increase to \$4,400 per month for the home-based setup and leave a net cash flow of \$20,600 after deducting fixed costs. In the studio setup, variable costs increase to \$6,250 and result in a lower net cash flow of \$18,750 per month, given higher fixed costs.

The higher fixed costs of the studio setup reduce Mark's surplus cash flow, leaving less for reinvestment or any sort of unexpected expenses. Comfortable surplus is generated, making it a much safer option unless bookings always approach projected levels.

Table 7 Cash Budget

Cash Budget		
Cash	Home Based Setup	Studio Based Setup
Revenue Per Show	2500	2500
Number of Show	10	10
Total Revenue	25000	25000
Variable Cost	4400	6250
Net Cash Flow	20600	18750

(Self-Created, 2024)

Borrowing Needs and Interest Cost Analysis: Mark will require a line of credit during leaner months. For instance, if Mark borrows \$6,250 at a 5% annual interest rate, he will owe approximately \$26.04 in monthly interest. Maintaining a cash reserve while planning for lean months avoids frequent borrowing and interest payments (Yahelska et al., 2021).

Table 8 Interest Cost

Borrowing Scenario		
Variable Cost	4400	6250
Revenue	12500	12500
Net Cash Flow	-8100	-6250

Borrowings	
Monthly Interest	Borrowed Amount *5%/12
Monthly Interest	6250*5%/12
Monthly Interest	26.04166667

(Self-Created, 2024)

Decision-Supporting Market Demand Analysis

Studio businesses require a thorough market demand assessment. This analysis should assess client interest, desire to pay, and booking growth. Wedding planners, business clients, and event organizers may be questioned on premium performance value and pricing. Competition research in BC's entertainment industry can reveal pricing and service issues.

Booking data and client comments may help Mark estimate demand. He might promote studio-specific features like lighting, sound, and stage setup to identify his company as a top entertainment provider. Industry trends suggest clients may pay \$3,000–\$3,500 per event, up 20%–40% from \$2,500. Increasing monthly performances from five to 10 might improve earnings from \$12,500 to \$25,000, assuming consistent demand and successful promotion. Collaboration with event planners and entertainers increases visibility and repeat bookings. With focus groups and advertisements, a feasibility study could improve services and examine client demands. Social media teams can boost demand with active online

presence. Social media engagement, site traffic, and questions might indicate if premium service positioning resonates with the target audience. Analysis of client willingness to pay and market size allows Mark to justify and execute his studio-based expansion.

Demand Shortages and Market Change Considerations

Sustainable businesses must prepare for demand gaps and market changes. If bookings fall short, Mark should offer limited-time discounts, event packages, or referral incentives. Event organizer, school, and business event packages could increase client acquisition. Mark can limit risk by diversifying revenue. Live performances, magic seminars, and behind-the-scenes footage on YouTube may generate revenue. He may sell fan presents and magic kits. Corporate sponsorships of private or branded events can improve profits.

Flexible cost-cutting reduces operational risks. Mark may lower studio rent in off-peak seasons, minimize performance supply expenses using reusable props, and save money with internet marketing. Part-time or freelance workers may save payroll expenditures. Across client segments, tiered pricing could maximize revenue. Basic packages for smaller events, premium packages for high-profile clients, and VIP experiences with unique entertainment could increase bookings and exceed customer expectations. Live streaming or custom-recorded concerts may create new marketplaces if demand lowers quickly. These contingencies allow Mark to quickly adapt to demand changes while remaining profitable. He can weather market volatility and grow his business by diversifying income streams, minimizing costs, and being flexible.

Streamlined Actionable Clarity Recommendations

Business growth requires a defined, targeted plan from Mark. He should get financial and promotional agreements from the social media team and launch an aggressive internet branding campaign in 1-3 months. Using visually appealing social media and targeting local

event organizers increases initial bookings. Mark should conclude studio upgrades, create event planning agency relationships, and land long-term performance contracts within 3-6 months. Keeping corporate clients and event venues can assure high-paying contracts. The studio will attract high-end clients with good staging and lighting. Launching a YouTube channel, delivering magic workshops, and monetizing digital performances are his 6- to 12-month aims. Adding virtual shows or international events might improve revenue. Financial audits, performance assessments, and consumer feedback should drive operational adjustments.

Stage milestones should show progress. Important milestones include starting a social media-driven marketing campaign by month one, setting up the studio by month three, and collecting eight monthly bookings by month six. Year-end reviews should include financial goals, pricing models, and marketing initiatives. The phased roadmap helps Mark balance short-term profit and long-term business viability. Setting goals, timelines, and performance indicators ensures growth, financial stability, and entertainment sector competitiveness.

Recommendations

Mark must balance cost, growth, and risk to build his firm. It costs \$1,200 more each month than the cryptocurrency payment for social networking. This requires liquidity and bitcoin market volatility. Equity can help Mark raise funding or align growth incentives. This strategy reduces initial financial outflows but dilutes ownership by 10% and requires long-term profit-sharing. Though predictable, monthly fees are the least enticing due to their higher cumulative cost.

Mark should keep his home setup unless monthly bookings reach 10 gigs, which would justify the studio's higher fixed costs. The home-based method breaks even at 0.35 shows

each month, compared to 1.17 for the studio. Since it raises financial risk, converting to a studio structure should only happen when demand guarantees profitability.

Maintaining profitability demands cost control. Mark could negotiate better supplier contracts and acquire cheaper props to reduce variable costs from \$70 to \$56 for every show. These incremental savings improve profits. He should save for lean months and not borrow. Lines of credit at 5% annual interest can cover \$6,250 shortfalls with \$26.04 monthly expenses.

To build his business, Mark needs to tighten internal financial controls. Accounting software should let him track revenue and spending, segregate corporate and personal finances, and reconcile his bank accounts. As cash, online, and cryptocurrency payments spread, reliable financial record-keeping assures transparency and compliance.

Mark should depreciate his studio equipment annually at \$1,800 to reduce taxable income and avoid taxes. Depreciation should be factored into his long-term financial plan, including equipment replacement. These tips will help Mark expand his brand ethically on a budget.

Conclusion

Magician Mark is studying ways to boost his brand, bookings, and professional presence. The analysis demonstrates that his home-based system is lucrative with low fixed costs and a break-even point of 0.35 shows per month. With a break-even rate of 1.17 concerts every month, the studio structure offers scalability and professional refinements but higher fixed expenses and financial risks. Mark should only go to the studio if he can schedule 10 shows per month to earn.

Social media partnership payment options matter too. Bitcoin one-time payments save money but require liquidity and market risk. Equity options promote expansion but dilute

ownership and diminish profits. Monthly charges are the most expensive over time, but predictable. Mark's pick should reflect his money, risk tolerance, and company goals.

Mark needs cash flow planning and expense control to grow. Controlling variable costs, conserving money, and preparing for equipment depreciation are critical. Internal controls like separate business and personal accounts and dependable financial tracking help Mark manage his developing businesses.

In conclusion, Mark's expansion plans are exciting but require cautious financial and risk management. Mark may continue growth and profitability by working from home until demand requires a studio move, using the most cost-effective social media partnership payment option, and implementing robust financial systems. He will triumph in the competitive entertainment sector with these strategies.

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Appendix

Table 9 Case Analysis

	Old Variable Cost		New Variable Cost	
Particulars	Home-Based Setup:	Studio Setup:	Home-Based Setup:	Studio Setup:
Fees	2500	2500	2500	2500
Number of Shows	5	10	5	10
Total monthly payment	12500	25000	12500	25000
Cost: -				
Variable Cost (50 supplies, 20 transportation)	70	70	56	56
Monthly Variable cost	350	700	280	560
<u>Contribution</u>	2430	2430	2444	2444
Fixed Cost				
Advertisement	500	1000	500	1000
Software Subscription	200	200	200	200
Insurance	150	150	150	150
Rent		1500		1500
Total Fixed Cost	850	2850	850	2850
<u>Profit</u>	23450	21450	23590	21590

(Self-Created, 2024)