**CASE STUDY: DRAKE'S MUSIC SCHOOL**

Drake runs a music school, where he and his staff teach voice, piano, and violin. He would like to examine the business's finances for the period of 2013 to 2014.

|  |  |  |  |
| --- | --- | --- | --- |
| **Drake's Music School**  **Comparative Income Statement**  **December 31, 2014 and 2013** | | | |
|  | **2014** | **2013** | **Increase (+)**  **Decrease (-)** |
| **Revenue** |  |  |  |
| Sales Revenue | $90 000 | $80 000 | + $10 000 |
| **Total Revenue** | **90 000** | **80 000** | **+ 10 000** |
| **Expenses** |  |  |  |
| Salaries | 38 000 | 26 000 | + 12 000 |
| Rent | 9 600 | 8 400 | + 1 200 |
| Insurance | 2 400 | 1 600 | + 800 |
| Utilities | 1 200 | 1 000 | +200 |
| Advertising | 1 000 | 3 000 | -2 000 |
| Supplies | 300 | 500 | -200 |
| **Total Expenses** | **52 500** | **40 500** | **+12 000** |
| **Net Income** | **$37 500** | **$39 500** | **$-2 000** |

1. Carefully examine each income statement. Even though revenue increased by $10000, net income for 2014 was less than for 2013. What does this tell you about expenses for 2014?
2. Which expense experienced the greatest financial increase in 2014?
3. Which expense experienced the greatest percentage increase in 2014?
4. What solutions would you offer to reduce expenses? Explain your answer.