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Can you hire that executive? The answer is in your break-even point

For immediate release

Santa Monica, Calif.—May 11, 2004—“Knowing your break-even point can help you make key decisions such as whether to hire an employee or secure additional office space,” says Partner Debbie Zimmerman of Stonefield Josephson, a California-based certified public accounting firm. Zimmerman says, “As a business owner, you constantly ask yourself, How can I make this a better, more profitable business?” She says that when faced with decisions such as whether to open a new office or hire an executive, the owner has no way of knowing for sure whether the decision will pay off. “However, you can know what it takes to at least cover the cost of your decision. The answer is in knowing your break-even point.”

Zimmerman says that when you are aware of your break-even point, you can determine whether you can really afford to act. “A business owner needed a new CPA and came to me for help. He had opened an additional office in another city. Months later the owner realized that he could not generate enough additional sales to cover the costs of rent, salaries and utilities associated with the new office. This type of situation happens more often than you think. Entrepreneurs are often optimistic about growth. However, the business must at least break even to survive. The bottom line is that you must pay for growth initiatives by increasing sales or reducing costs. Don’t operate blind. Know what it takes in revenue to cover the cost of your decisions.”

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Zimmerman says that the best way to determine how your decisions will affect your break-even point is to contact your certified public accountant. “Your CPA will help you establish your break-even point. This involves looking at your fixed and variable costs as well as your gross profit margin. Through a simple calculation, your CPA can tell you what you will need to achieve in additional net sales for your business to cover the cost of a new office or a new executive without incurring a loss.” Working through various scenarios with your CPA helps you prioritize your growth plans, according to Zimmerman. “Your CPA can also help determine the amount of time it will take for your initiatives to break even. If you know that a particular initiative will take three months to break even, you can plan ahead and move forward with reasonable expectations.” For additional information on making decisions while minding your break-even point, contact Debbie Zimmerman at 310-566-4318 or dzimmerman@sjaccounting.com

Stonefield Josephson Inc. is a California-based certified public accounting and business advisory firm founded in 1975. The 100-person firm serves public and privately held clients throughout the United States and internationally from four California locations: Santa Monica, Irvine, San Francisco and Walnut Creek. Services include assurance/accounting; business consulting (profit enhancement; finance sourcing; mergers and acquisitions; family-owned business; succession planning; executive incentive compensation; business plans and budgeting); business valuation; financial recovery; forensic services; litigation support; public companies services; and tax services.

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