

ISM3011: Assignment 2

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Instructions:

- Ask your parents, your grandparents or friends about how they prepared and filed their tax declaration in the 1970s.
 - o How much time did it take them?
 - o Did they need the advice of a commercial tax consultant?
 - Call two professional tax consultants (not H&B Block!) and ask them about the price for one hour of individual consulting.
 - Visit the H & R Block homepage (www.hrblock.com) and learn about the three types of products and services they are offering with regard to tax issues:
 - o Low-cost tax software (TaxCut etc.)
 - o Online services
 - o Individual consulting
 - With the information from the tasks above and additional research where necessary, answer the following questions. A few sentences are enough for each question.
1. How many Americans submit a federal tax declaration (e.g. form 1040 and variants) each year?
 2. How much is the retail price of the software package TaxCut? (There are multiple variants; use either the cheapest version or the average of all three).
 3. How many hours (minutes) of individual tax consulting would you get for that amount? (Explain briefly how you calculated your result).
 4. Do you think the expert advice in TaxCut is more up-to-date and more complete as compared to the cheapest (!) human tax consultant available? (I am not talking about the nation's leading tax expert, but more of a part-time consultant in a rural area ☺). Keep in mind that tax laws and regulations change frequently...
 5. Which total gross sales could H & R Block achieve if ALL Americans who have to file a tax declaration (question 1) would buy their own single copy of TaxCut? (Ignore the fact that one copy might be used multiple times in a household, and that there are competitors).
 6. Now, assume that the manufacturing and distribution costs for each copy of TaxCut would be \$ 2. That means, the gross margin for each copy is the sales price minus \$ 2. Multiply the gross margin with the number of potential customers.
 - a. How much is the potential gross profit that H & R Block can earn with one release of TaxCut?
 - b. Divide this amount by the hourly rate of a professional tax consultant (see above). How many hours of professional tax consultancy can H&R block put into their software if they spent the whole gross profit for that?
 7. Summarize your findings in a few (not more than 5) sentences.

Submission Instructions:

1. Send an e-mail with your full name, the questions, and your answers to mhepp@computer.org.
2. Please paste your findings directly into the e-mail text (no Word attachments, please).
3. Repeat the text of the respective question before your answer.

The deadline is November 3, 2004 at 6:00 p.m.

No late assignments will be accepted!

If you have any questions, please do not hesitate to contact me.

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