

ACCOUNTING in the headlines

How will the 3.9% increase in FedEx Freight shipping rates impact the breakeven point for an Etsy jewelry artist?

FedEx Corp announced that it would be raising its shipping rates by [an average of 3.9%](#) on March 31, 2014. The rate change applies to FedEx Freight shipments within and between the United States, Canada, and Mexico.

The FedEx Freight segment is a provider of less-than-truckload (LTL) freight services, which is the shipping of relatively small loads of freight. Customers will use the LTL method of shipping because it is less expensive than hiring an entire truck for a smaller shipment.

[JoySparksDesigns](#) makes bracelets and other jewelry from vintage typewriter keys and offers the pieces for sale on [Etsy](#).

Question

Assume that JoySparksDesigns uses FedEx Freight for its inbound shipments of the raw materials used in making its jewelry. Will the rate increase cause JoySparksDesigns' breakeven point to increase, decrease, or stay the same, assuming that JoySparksDesigns increases its selling price by 3.9%? Support your answer with hypothetical calculations.