

You are a towel producer and you have the capacity of producing 10000 towels per month. The fixed manufacturing overhead cost per unit of a towel is 5 euro, the unit vairable cost is 7 euro. The towel is sell at 18 euro per unit.

a) If currently you are producing 8000 towels, and there is one time special order of purchase 1000 towel it at 10 euro, should you accept the order?

@Copyright Forward Studies 2020 forwardstudies.nl

5



## <section-header><list-item><list-item><list-item><list-item><list-item><list-item><list-item>

7

The company A produced smart watches and earpieces. The table below shows the expected total and per unit cost of producing 250,000 units of earpieces.

	Expected total Cost for 250,000 units of earpieces	Expected Unit cost
Direct Materials	9,000,000	36
Direct Labor	2,500,000	10
Variable Manufacturing Overhead Cost	3,500,000	14
Fixed manufacturing overhead Cost	3,000,000	12
Total manufacturing cost	18,000,000	72

Another company B offers to sell A 250,000 units for €64 per unit, should company A produce these earpieces by itself or purchase from B?

@Copyright Forward Studies 2020 forwardstudies.nl

9

The company A produced smart watches and earpieces. The table below shows the expected total and per unit cost of producing 250,000 units of earpieces.

	Expected total Cost for 250,000 units of earpieces	Expected Unit cost
Direct Materials	9,000,000	36
Direct Labor	2,500,000	10
Variable Manufacturing Overhead Cost	3,500,000	14
Fixed manufacturing overhead Cost	3,000,000	12
Total manufacturing cost	18,000,000	72

Another company B offers to sell A 250,000 units of earpieces for €64 per unit. If A decides to purchase these earpieces from B, there will be spare capacity. These spare capacity can be used to produce more smartwatches, which can further increase of operating income of A by 2,500,000. In this case, should A produce these earpieces by himself or purchase from B?

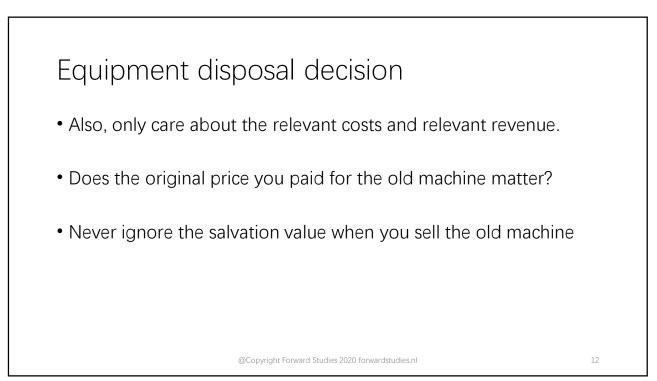
@Copyright Forward Studies 2020 forwardstudies.nl

9

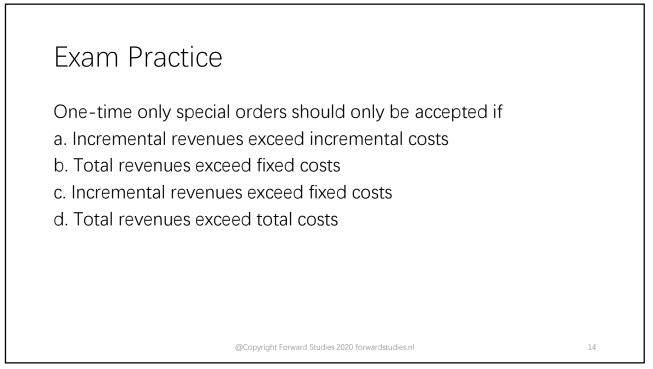


Product A		Product B	
Sales Price	25	Sales Price	50
Variable manufacturing Cost	2	Variable manufacturing Cost	15
Variable non-manufacturing Cost	3	Variable non-manufacturing Cost	5
Other variable cost	5	Other vairable cost	10
Fixed manufacturing cost	2	Fixed manufacturing cost	3
Machine Hour used for each unit	5	Machine Hour used for each unit	8
Maximum unit can be produced	150	Maximum Unit can be produced	80





	Existing Machine	Replacement Machine
Original cost	€80,000	€105,000
Useful life	4 years	4 years
Accumulated depreciation	€50000	
Book Value	€30000	
Disposal Price	€14000	
Annual Cost	€36000	€10000



. Pooh Company produces three different sizes of stuffed teddy bears (large, medium and small) for discount stores like K-mart. Projected maximum sales of the three products and corresponding costs for the month of January 2015 are given below.

	Large	Medium	Small
Projected maximum sales	3,000	5,000	4,000
Unit sales price	40	30	20
Variable costs per unit			
Materials	12	10	8
Labor	8	5	3
Variable overheads	5	3	2
Allocated fixed costs per unit	2	2	2
Profit per unit	27	20	15

It takes 20, 15 and 10 machine hours to manufacture 100 units of large, medium and small teddy bears, respectively. The company has a monthly machine hour capacity of 2,050 machine hours and this machine hour capacity cannot be increased for at least a year. A foreign firm has offered to buy an additional 2,000 large teddy bears at  $\notin$  45 each. Which of the following items is right?

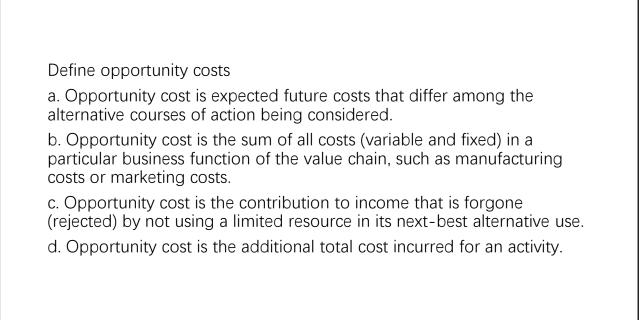
The opportunity costs of this foreign order are

@Copyright Forward Studies 2020 forwardstudies.nl

15

15

@Copyright Forward Studies 2020 forwardstudies.nl



@Copyright Forward Studies 2020 forwardstudies.nl