# Accounting

Business, Accounting

Name: Course: Lecturer: Date: Accounting Problem 1 The costs associated with a medical degree from the costs provided are fee costs for tuition every year and medical school texts every year. Other listed expenses and wages can only be used for comparison with the eight years medical degree since they are some of the things he has to forego in order to pursue the medical degree. Problem 2 In the second problem, it seems that the cost of producing one item is $37, while the item can be bought at $25 from an American manufacturer. Therefore, for 10, 000 units a year, the company would incur $3, 700, 000 if it were to produce the items itself. On the other hand, if the company is to take the goods from the American manufacturer, the company will only pay $2, 500, 000 for the came amount of the item. Thus, buying from the American supplier will saves costs of $ 1, 200, 000.

Therefore, the company should consider getting the goods through the American supplier instead of producing the item, which will cost them more. Pete and Park Partnership should take this offer since it saves them a lot of money that could otherwise be incurred in production of the same item. Problem 3 In the third problem, it seems that the contribution margin and the net profit of Jacks part are quite low. Considering the sales or revenue is $600, 000 while the net profit is $50, 000, Panes does quite better since its revenue is $400, 000, while the net profit is higher than that of Jacks at $150, 000.

Going by this seems obvious that dropping Jacks could work. However, considering that the fixed expenses of Jacks can be reduced by 80% in the short-run while they can be eliminated in the long-term, there is need for a closer look. In the short-run, if fixed costs of Jacks were reduced to this level,

Panes’ sales would drop by 5%. However, after eliminating 80% of the fixed cost for Jacks, it means that its net profit would increase from $50, 000 to $250, 000. The profit for Panes would reduce from $150, 000 to $130, 000. The total net profit would then increase from $200, 000 to $380, 000. Therefore, considering that Jacks has higher revenue than Panes, reducing the fixed costs by 80% increases the net profit of the whole company by 90%. Therefore, the company should retain Jacks and seek to reduce the fixed costs as projected.

Problem 4 In product A, there is a profit of $30, 000, which results from further processing. The further processing costs $20, 000, but increases the profit by $50, 000, thus offering an added profit of $30, 000. On the other hand, product B incurs loss after further processing. This can be explained by the fact that the processing costs were more than the resulting increase in revenue.

Therefore, using a cost of $40, 000 only gives an increase of $20, 000, which is half of the cost of further processing. This definitely causes a loss for the product. Finally, product C incurs a profit of $10, 000 after further processing. The processing cost of product C is $10, 000, producing an increase in revenue of $20, 000 f0r product C, which is double the cost. Thus, product C also incurs profits from further processing. It is obvious that it was not a good idea to process product B further since it had little effect than the costs utilized.