

Case 1 wagner
fabricating
compnay.docx - math
problem example



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BUSTER**

CASE 1 WAGNER FABRICATING COMPNAY. docx

Theodore Greenberg October 22, 2008 Wagner production analysis Should investment capital be used to create increase production of Part(p) now ordered from outside sources. Gross savings on production at a price of 17 \$ versus 18 \$ would result in a savings of 12853 \$ however after allowing for 2 week inventory safety margin backup supply the savings would be decreased by 4250\$ with holding and insurance costs continuing. If investing in this new production is solely based on the production of part p we would not advise investing in increased production facilities.

However it has been determined that out of the 250 day work year 22 cycles or production runs would need to be made keep a steady production utilization intake/output ratio. Exact production details were not given to us, but we cannot for see more than 150 days of production time being used leaving 100 days for a part p1 to be produced making the new facility truly profitable.

We also advise that production/order levels for at least year 1 of production should be started at 50% to make appropriate quality testing and this can be increased to 100% if all goes well

Analysis of production versus purchasing Wagner manufacturing

holding costs

Costs

post production

Change

inventory insurance and tax

24000

-2312

9. 63 % savings

damages

9000

0

no change

utilities

15000

0

no change

savings on holding

-2312

-2312

savings on purchasing

laborx2hrs

50 purchases/year

28

56

-2800

materials for purchase = $50/125$

$50/125 * 2375$

-950

Total purchasing costs

-3750

-3750

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Purchasing and holding savings

-6062

production setup and cost

labor x8hr

21. 33 runs/year*

50

400

8533

ordering 0 parts

0

producing 3200

17

3200

54400

62933

62933

producing 3200 with holding &purchasing savings

50809

ordering 3200

18

3200

57600

purchasing and holding costs

6062

Total purchasing costs

63662

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safety margin = 2 weeks of runs

17

250parts

-4250

adjusted production savings

8250

gross savings

12853

* in the worked in this abstract we expect 8hr per cycle to setup equipment
for production run