

Accounting strategic management

Business



1).

Number of direct labor hours used to manufacture tackle boxes per year is equivalent to the labor hours per tackle boxes expressed as the total number of boxes. Number of labor hours = time allocation, price per labor hour *

total number of

Unit price of

labor

tackle

boxes. = $(18.75/15) * 8000 = 10,000$ labor hours. 2). Contribution marginal

is the amount of profit contribution to the activity in regard to the total profit.

a) Total number of purchase boxes, 9000 Price per unit of purchase, \$68 Selling price of each box \$86 Contribution marginal purchase box is (selling price - buying price per each box; $(86 - 68) = \$18$ after selling and

distribution. b) Total manufactured boxes; 8000 Price per unit sales, \$86 Total cost of manufacturing, \$65.25 Contribution margin before selling and distribution = $(86 - 65.25) = \$20.75$ Contribution after selling and distribution will be $8(20.75 - 10) = \$10.25$ per unit of purchase stake box. c) Manufacture skate

boards Selling per skateboard = \$45 Total manufacturing cost (inclusive of fixed, variable, and selling and distribution) per unit of skateboard, \$34.

00 Contribution margin per unit is this $(45 - 34) = \$11$. 3) In a business setup, the context of a product guides the firm on how to have its production in order to fully source then most maximum profit. For sport way, different product mix would thus yield the highest profit.

However the choice to the amount of sales should correspond to the capacity available and contribution margin. To it could sell 12000 stake boxes, since

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purchase of such boxes would yield the most optimal. Total overhead cost is \$50,000 per year which 40% $((40/100)*50,000)=\$20,000$ is allocated to the plastic department while $((60/100)*50,000)=\$30,000$ is allocated to the other. Manufacturing department. Since manufacturing department has the highest overhead with also the least contribution margin, the company should not use manufacturing of tackle boxes. However for greatest profit it can purchase the 9000 tackle boxes at margin of \$11 each yielding \$90,000 profit level.

Since its arrival capacity is 12000 tackle boxes per year, the purchases of 9000 pieces of tackle boxes would not fully exploit the capacity. The rest of the product mix should be allocated to the plastic department on the manufacture of its skateboard. Remaining number of full capacity is $(12000-9000)$ tackle boxes = 3000 equivalent of tackle boxes to skateboards in terms of the overhead cost = $60/40 = 3/2$ Numbers of skateboards to be manufactured are $3/2 * 3000 = 4500$ skateboards. Though the purchase of tackle boxes would yield relatively higher contribution margin than manufacturing, however, it should highly monitor the quality of such purchased boxes to ensure that they conform to the best quality required by the customer in the market. Quality issues like their strength, conditionality, efficiency in use should be looked at. 5). Since it uses labor as the massive of the variable source, then it should use ways to improve the productivity of such a labor.

Thus, it should use various incentives like good work relations, better pay, training to improve its workers productivity. Either it could use higher technology services to be used such workers. Therefore for each total cost

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would be, cost of orders plus the cost of material purchase Wallace lumber, total cost is $16830 + 40,000 = \$56,830$ For commit support is $2500 + 50,000 = \$75,400$ For Sean consolation is $19300 + 25000 = \$44,300$ For the suppliers index, Sean insulation is more efficient than Wallace lumber. Either Wallace lumber is more efficient in supply cost than gromit supplies. 3) 3) For the suppliers, their performance is determined differently, Wallace lumber his purchase of material cost is relatively in equal proportion to the total cost proportion. For gromit suppliers, it depicts very high cost, which would not be perhaps proportional to the market profit. Sean insulation depicts to be the most efficient suppliers within the market with the least minimal supply cost 4) Benchmark analysis chart 5).

They should source their supplies from supplies fro Sean insulation whose cost of supplies is relatively low. Case 4) 1) Yes, since the airplane manufacture would only reject the bid if the purchase of it were beyond \$50 per brake unit, with the total cost brake unit being \$49.25, then the company would still be trading at a profit of $(50 - 49.25) = \$0.75$ per brake unit. 2) 2).

Its not economical supply of fitting at \$5.00 would be a reduced profit mark up if the department supplies it company with the filling originally, it is making $(7.50 - 4.24) = \$3.25$ as profit rather than $(5.00 - 4.$

$25) = \$0.75$ profit per x52 fitting. In the long the sale of the brakes at \$50 each would only yield a $(50 - 49.50) = \$0.50$ profit contribution.

3) Transfer pricing is still possible since the production capacity of the company is 50% it would yield higher benefits through maximum production

capacity. With maximum capacity the cost of fixed overhead would be low, hence the company would now operate at a better profit margin. Either, price of the x52 fitting can be transferred to the overall cost of brakes where the x52 cost of manufacturing would be under the final price of the brakes.

4) To the company there is lack of proper management aspects since the x52-fitting department is unethical. Otherwise, the ceo should formulate organizational regulations where the goal of the company is focused as one, which will thus combine the activities of the x52 department and the brake manufacturing. Case three1) due to the product mix benefit of the three products, more use of the profit and loss statement would be wrong in making revision, about the commodity to manufacture since the physical I profit and loss outlook of a product may not necessarily give the correct picture to the benefits of its production.

E. g. Through D-gauges has a loss in its gross margin, it is still very profitable in terms of profit before taxes compared to the other products. b). Perhaps the best way is to establish the contribution margin per unit each product toward the overall profit. A product may seem to be unattractive in the overall profit benefit though still contributing high profit margins.

2a) The manager's decision options have different strength and weaknesses. First, he should not discontinue the D-gauges since its profitable before tax compared to other products despite the fact of having a negative gross margin. However he should try to evaluate the causes of such loss gross margin on the D-gauge. Originally the B-gauge is having a 210, 000 advertising expense. To increase this by 1100, 000 then the new value cost would be \$3100, 000.

However its product units would increase by 15%=\$250. This would be a wrong idea, which will work to field a loss to the B-gauge. Current advertising cost for the work to yield a loss to the B-gauge. Current advertising cost for the Q-gauge is 40, 000(to cut it by 20, 000 (50%)and this would yield increase in profit especially with the reduced cost and number of Q-gauge that yield a low share of profit contribution. b) The contribution margin per unit of B-gauge is \$ (200-131)= \$69 per unit, while that of Q-gauge is \$(90-77)=\$13. Therefore it would be more profitable to manufacture B-gauge than Q-gauge.

d) Since the three gauges uses the same equipment and facilities, any reduction in production of one line should ultimately increase that of the other. Since all the three options involve a reduction of any of the product without increasing the others, the capacity of the equipment will not be successfully used. There will be a deficiency in the production system. e)

To maintain a full capacity of the equipment within the firm, all production activities should be geared towards a fully capacity to the equipment.

However the choice of product mix should be depended on the contribution margins of the products and the production capacity of the equipment.

Rejecting one product should at least increase one of the products.

3). Perhaps the D-gauge perceives a loss in its gross margin due to various inefficiencies in its manufacturing. Therefore the manager should evaluate all the efficiencies in terms of price, quality and quantity of material inputs, and other production efficiencies like labor use. He should monitor to ensure that this gauge depicts efficiency in both direct and indirect costs.