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Started on Monday, October 30, 2017, 7:44 PM

State Finished

Completed on Wednesday, November 1, 2017, 6:09 PM

Time taken 1 day 22 hours

Points 12.00/18.00

Grade **13.33** out of 20.00 (67%)

QUESTION 1 Correct 8.00 points out of 8.00

Statements	Cost term
(1.) Increased revenues from special order	Relevant revenues ✓
(2.) Lost contribution margin from foregone sales to regular customers	Opportunity cost ✓
(3.) Revenues from 4,000 units sold to regular customers	Irrelevant revenues ✓
(4.) Variable cost of 4,000 units sold to regular customers	Irrelevant variable outlay cost ✓
(5.) Increase in fixed selling and administrative expenses	Relevant fixed outlay cost ✓
(6.) Cost of existing equipment used to produce special order	Sunk cost ✓
(7.) Salary paid to current supervisor who oversees manufacture of special order	Irrelevant fixed outlay cost ✓
(8.) Increased variable costs of special order	Relevant variable outlay cost ✓

1. g 5. e
 2. f 6. c
 3. h 7. b
 4. a 8. d

QUESTION 2 Correct 1.00 points out of 1.00

QUESTION 2 CORRECT 1.00 points out of 1.00

Outsourcing (Make-or-Buy) Decision

Assume a division of Hewlett-Packard currently makes 16,000 circuit boards per year used in producing diagnostic electronic instruments at a cost of \$27 per board, consisting of variable costs per unit of \$22 and fixed costs per unit of \$5. Further assume Sanmina Corporation offers to sell Hewlett-Packard the 16,000 circuit boards for \$27 each. If Hewlett-Packard accepts this offer, the facilities currently used to make the boards could be rented to one of Hewlett-Packard's suppliers for \$25,000 per year. In addition, \$3 per unit of the fixed overhead applied to the circuit boards would be totally eliminated.

Should HP outsource this component from Sanmina Corporation?

Calculate the net advantage (disadvantage) to HP of outsourcing the component from Samina Corporation.

Use a negative sign with your answer to indicate a net disadvantage, if appropriate.

\$ (7,000)



QUESTION 3 Partially correct 2.00 points out of 8.00

Special Order

Nature's Garden, a new restaurant situated on a busy highway in Pomona, California, specializes in a chef's salad selling for \$7. Daily fixed costs are \$1,600 and variable costs are \$4 per meal. With a capacity of 1,050 meals per day, the restaurant serves an average of 1,000 meals each day.

(a.) Determine the current average cost per meal. Round your answer to two decimal places.

\$ 5.6



(b.) A busload of 30 Girl Scouts stops on its way home from the San Bernardino National Forest. The leader offers to bring them in if the scouts can all be served a meal for a total of \$144. The owner refuses, saying he would lose \$0.80 per meal if he accepted this offer.

How do you think the owner arrived at the \$0.80 figure?

Current average cost per meal	\$ 4.8	✗
Per meal revenue from Girl Scouts	5.6	✗
Loss per meal	\$ 0.8	✓

(c.) A local businessman on a break overhears the conversation with the leader and offers the owners a one-year contract to feed 300 of the businessman's employees one meal each day at a special price of \$4.75 per meal.

Compute the net advantage (disadvantage) of accepting the contract.

Only use a negative sign with your answer to indicate a net disadvantage. Otherwise, do not use negative signs with answers.

Daily contribution from special order	\$ 1,425	✗
Daily opportunity cost	1,200	✗

Net advantage (disadvantage)

\$	225	X
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Based on your above results, should the restaurant owner accept this offer?

The restaurant owner should accept the offer. The restaurant owner should not accept the offer.

0.00 points out of 1.00

QUESTION 4 Correct 1.00 points out of 1.00**Sell or Process Further**

Great Lakes Boat Company manufactures sailboat hulls at a cost of \$4,200 per unit. The hulls are sold to boat yards for \$5,200. The company is evaluating the desirability of adding masts, sails, and rigging to the hulls prior to sale at an additional cost of \$1,900. The completed sailboats could then be sold for \$6,500 each.

Determine whether the company should sell sailboat hulls or process them further into complete sailboats. Assume sales volume will not be affected.

Calculate the net advantage (disadvantage) of processing the boat hulls into sail boats. Use a negative sign with your answer, if appropriate.

\$ (600)





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