

BTN 21-3 Labor costs of an auto repair mechanic are seldom based on actual hours worked. Instead, the amount paid a mechanic is based on an industry average of time estimated to complete a repair job. The repair shop bills the customer for the industry average amount of time at the repair center's billable cost per hour. This means a customer can pay, for example, \$120 for two hours of work on a car when the actual time worked was only one hour. Many experienced mechanics can complete repair jobs faster than the industry average. The average data are compiled by engineering studies and surveys conducted in the auto

ETHICS CHALLENGE

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Chapter 21 Cost-Volume-Profit Analysis

repair business. Assume that you are asked to complete such a survey for a repair center. The survey calls for objective input, and many questions require detailed cost data and analysis. The mechanics and owners know you have the survey and encourage you to complete it in a way that increases the average billable hours for repair work.

Required

Write a one-page memorandum to the mechanics and owners that describes the direct labor analysis you will undertake in completing this survey.
