

Good

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Name

Professor

Institution

Course

Date Part one

1. The relevant costs are fuel costs, the cost of insurance, purchase price, cost of food and beverages, fishing tackle and bait, repair and maintenance, and docks fee. Besides, food and beverages as well as fishing tackle.

2. All the costs mentioned above will be affected in case brad chooses to buy a larger boat. Some costs will increase. The cost of dock fee, fishing tackle and bait, insurance premium fee and food, purchase price, and beverage will increase. However, there will be a decrease in repair and maintenance.

3. The captain license, dock licenses, and professional fees are unavoidable costs associated with unlimited fishing operations. Irrespective of the boat to use, the above charges will apply; hence will remain the same.

4. The revenue generated can be calculated as follows

6-hour trip(Old boats) with six guests

Old boat fee is \$ 650

Six guests will pay $\$650 \times 6 = \3900 for every trip

For the new boat, the price is \$700

Six guests will be $6 \times \$700 = \5600 for every trip

Comparatively, the new boat will bring more revenue

The costs that changed were annual dock fee, fuel cost, insurance premium, repair and maintenance, and purchase cost. In addition food and beverage cost per quest, tackle of bait per quest, and repair and maintenance changed.

By considering this analysis, more revenue is generated by buying a new boat. Less income is made from an old boat and thus should purchase a new boat.

Part 2

Question 1

Overhead manufacturing fixed total cost

$\$16 \times 3000 = \$48,000$

Overhead manufacturing fixed total

$\$17 \times 3000 = \$51,000$

There is no change in output

The fixed overhead costs are constant.

Sales revenue for 3000 units

$$3000 \times \$150 = \$450,000$$

Sales revenue for 5000 units

$$5000 \times \$125 = \$625,000$$

$$625,000 - 450,000 = 175,000 \text{ (increase)}$$

Manufacturing cost

Material Variable cost for 3000 units

$$3000 \times \$15 = \$45,000$$

Variable materials for 5000 units

$$5000 \times \$15 = \$75,000$$

$$\$75,000 - \$45,000 = \$30,000 \text{ (increase)}$$

Variable labor

$$3000 \times \$17.5 = \$52,500$$

$$5000 \times \$17.5 = \$87,500$$

$$87,500 - 52,500 = \$35,000 \text{ which is an increase}$$

Variable overhead

$$3000 \times \$12.5 = \$37,500$$

$$5000 \times \$12.5 = \$62,500$$

$$62,500 - 37,500 = 2500 \text{ increase}$$

Fixed overhead was \$48,000 for 3000 and 5000 units

$$48000 - 48000 = 0 \text{ hence no change}$$

Marketing cost

Variable overhead

$$3000 \times \$12 = 36,000$$

$$5000 \times \$12 = 60000$$

$$60000 - 36000 = 14,000 \text{ increase}$$

Fixed overhead

\$51,000 for 3000 units

\$51,000 for 5000 units

$$51000 - 51000 = 0 \text{ hence no change}$$

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		30000 units	5000 units	change	
	sales revenues	450000	\$62500 0	\$175,00 0	increase
	manufacturing cost				
	materials	45000	75000	30000	increase
	labor	52500	87500	35000	increase
	overhead	37,500	625,000	25000	increase
	Fixed ² overhead	48000	48000		no change
	total manufacturing cost (\$)	183,000	273,000	90000	increase
	marketing cost				
	fixed overhead	51000	51000		no change
	variable overhead	36,000	60000		Increase
	total marketing cost (\$)	87,000	111,000	24,000	Increase
	totals (\$)	270,000	384,000	114,000	Increase
	income (\$)	\$18000 0	\$ 241000	61,000	increase

Based on this analysis, prices for sales should be increased to yield operating income by 61,000 US Dollars.

Question 2.

It should accept \$12 as the lowest price. This price will be sufficient in covering extra variable costs related to marketing while the firm's income stands at its original state.

Question

3. All the variable manufacturing costs for in-house cost should be used to evaluate outside contractor's bid in making of old fence-materials, overhead, and labor costs that would be compared with paying for the outside contractor. Outside contractor's cost is \$90, and the total variable marketing cost stands at \$45 for each unit. Therefore it is good for the Marquette not to accept the proposal of the contractor.

Question 4.

The impact of accepting the order will be an increased income in march by the Marquette. If it accepts, then it will have 1200 units going for \$12. The 12 is the cost of variable marketing to be avoided. Also, there is a 5000 bonus. Now

$$1200 \times \$12 = 144,000$$

$$\$144,000 + 5000 = \$149,000$$

It should accept the order because it will get higher income from the order.

Question

5. The possible minimum price is \$162.50.

Here we have \$5000 as a marketing fee, and the required units are 2000.

$\frac{5000}{2000}=2.5$. This is to be added to a shipping fee of 10 to get additional cost per unit

$$2.5 + 10 = 12.50$$

The regular selling price at 150

So this means that the minimum price for selling should be at

$$150 + 12.50 = \$162.50$$

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