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View Policies

Current Attempt in Progress

Carla Vista Company must decide whether to make or buy some of its components. The costs of producing 62,600 switches for its generators are as follows.

Direct materials	\$29,000	Variable overhead	\$44,400
Direct labor	\$28,644	Fixed overhead	\$82,000

Instead of making the switches at an average cost of \$2.94 ($\$184,044 \div 62,600$), the company has an opportunity to buy the switches at \$2.69 per unit. If the company purchases the switches, all the variable costs and one-fourth of the fixed costs will be eliminated.

(a)

Prepare an incremental analysis showing whether the company should make or buy the switches. *(Enter negative amounts using either a negative sign preceding the number e.g. -45 or parentheses e.g. (45).)*



Make

Buy

Net Income
Increase (Decrease)

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Variable manufacturing costs			
Fixed manufacturing costs			
Purchase price			
Total cost	\$	\$	\$

Wilma Company will incur \$ of additional costs if it the switches.

eTextbook and Media

Save for Later

Attempts: 0 of 1 used

Submit Answer

(b)

The parts of this question must be completed in order. This part will be available when you complete the part above.

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