|  |
| --- |
| **Question 3** |
| http://edugen.wiley.com/edugen/art2/common/pixel.gif |

Wyco Company manufactures toasters. For the first 8 months of 2011, the company reported the following operating results while operating at 75% of plant capacity.

|  |  |  |
| --- | --- | --- |
|  | Sales (400,000 units) | $4,000,000 |
|  | Cost of goods sold | 2,400,000 |
|  | Gross profit | 1,600,000 |
|  | Operating expenses | 900,000 |
|  | Net income | $700,000 |

Cost of goods sold was 70% variable and 30% fixed. Operating expenses were also 60% variable and 40% fixed.

In September, Wyco Company receives a special order for 40,000 toasters at $6.00 each from Salono Company of Mexico City. Acceptance of the order would result in $8,000 of shipping costs but no increase in fixed operating expenses.

Complete the incremental analysis for the special order. ***(If an amount is blank enter 0, all boxes must be filled to be correct. If the impact on net income is a decrease use either a negative sign in front of the number, e.g. -45 or parenthesis, e.g. (45). Enter all other amounts as positive amounts and subtract where necessary. Round your answers to 0 decimal places, e.g. 5,210, round your computations of unit costs to 2 decimal places, e.g. 5.25.)***

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Reject Order** | **Accept Order** | **Net IncomeIncrease(Decrease)** |
| Revenues | $http://edugen.wiley.com/edugen/art2/common/pixel.gif | $http://edugen.wiley.com/edugen/art2/common/pixel.gif | $http://edugen.wiley.com/edugen/art2/common/pixel.gif |
| Cost of goods sold | http://edugen.wiley.com/edugen/art2/common/pixel.gif | http://edugen.wiley.com/edugen/art2/common/pixel.gif | http://edugen.wiley.com/edugen/art2/common/pixel.gif |
| Operating expense | http://edugen.wiley.com/edugen/art2/common/pixel.gif | http://edugen.wiley.com/edugen/art2/common/pixel.gif | http://edugen.wiley.com/edugen/art2/common/pixel.gif |
| Net income | $http://edugen.wiley.com/edugen/art2/common/pixel.gif | $http://edugen.wiley.com/edugen/art2/common/pixel.gif | $http://edugen.wiley.com/edugen/art2/common/pixel.gif |

Wyco Company should    the special order.