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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 4.16 | **Q4, Q6****Make or buy** Yoklic Corporation currently manufactures a subassembly for its main product. The costs per unit are as follows:

|  |  |
| --- | --- |
| Direct materials | $ 4.00 |
| Direct labor | 30.00 |
| Variable overhead | 15.00 |
| Fixed overhead | 25.00 |
| Total | $74.00 |
|  |  |

Regina Corp has contacted Yoklic with an offer to sell it 5,000 subassemblies for $55.00 each.**REQUIRED:**1. Should Yoklic make or buy the subassemblies? Create a schedule that shows the total quantitative differences between the two alternatives.
2. The accountant decided to investigate the fixed costs to determine whether any incremental changes would occur if the subassembly were no longer manufactured. The accountant believes that Yoklic will eliminate $50,000 of fixed overhead if it accepts the proposal. Does this new information change the decision? Show your calculations.
3. Ignore the information in part (B). Now suppose Yoklic could use the capacity released under the buy alternative to make a different subassembly that it currently purchases from a vendor for $20. The manufacturing engineer believes that the company can use the existing equipment to manufacture the subassembly for $13 each (direct materials, direct labor, and variable overhead). The firm uses about 5,000 of these subassemblies. Create a schedule that shows the difference between the two alternatives.
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