**3.** Coyle Company manufactured 6,000 units of a component part that is used in its product and incurred the following costs:

 Direct materials $35,000

 Direct labor 15,000

 Variable manufacturing overhead 10,000

 Fixed manufacturing overhead 20,000

 $80,000

Another company has offered to sell the same component part to the company for $12 per unit. The fixed manufacturing overhead consists mainly of depreciation on the equipment used to manufacture the part and would not be reduced if the component part was purchased from the outside firm. If the component part is purchased from the outside firm, Coyle Company has the opportunity to use the factory equipment to produce another product which is estimated to have a contribution margin of $14,000.

**Instructions**

Should Coyle Company Make or Buy this component part? (10 points)