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| **E8-12** |
| http://edugen.wiley.com/edugen/art2/common/pixel.gif |

The Cycle Division of TravelVelocity Company has the following per unit data related to its most recent cycle called Roadbuster.

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| --- | --- | --- | --- |
|   | Selling price |  | $2,200 |
|     | Variable cost of goods sold |  |  |
|  |      Body frame | $300 |  |
|  |      Other variable costs | 900 | 1,200 |
|  | Contribution margin |  | $1,000 |

Presently, the Cycle Division buys its body frames from an outside supplier. However TravelVelocity has another division, FrameBody, that makes body frames for other cycle companies. The Cycle Division believes that FrameBody's product is suitable for its new Roadbuster cycle. Presently, FrameBody sells its frames for $350 per frame.The variable cost for FrameBody is $250. The Cycle Division is willing to pay $275 to purchase the frames from FrameBody.

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 | http://edugen.wiley.com/edugen/art2/common/pixel.gif |

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| Assume that FrameBody has excess capacity and is able to meet all of the Cycle Division's needs. If the Cycle Division buys 1,000 frames from FrameBody, determine the following: (1) effect on the income of the Cycle Division; (2) effect on the income of FrameBody; and (3) effect on the income of TravelVelocity.

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| --- | --- |
| Effect of income on the Cycle Division | $ |
| Effect of income of FrameBody | $ |
| Effect of income of TravelVelocity | $ |

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 | http://edugen.wiley.com/edugen/art2/common/pixel.gif |

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| Assume that FrameBody does not have excess capacity and therefore would lose sales if the frames were sold to the Cycle Division. If the Cycle Division buys 1,000 frames from FrameBody, determine the following: (1) effect on the income of the Cycle Division; (2) effect on the income of FrameBody; and (3) effect on the income of TravelVelocity. ***(If a net loss, record amount using either a negative sign preceding the number eg -45 or parentheses eg (45).)***

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| --- | --- |
| Effect of income on the Cycle Division | $ |
| Effect of income of FrameBody | $ |
| Effect of income of TravelVelocity | $ |

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| Click here if you would like to Show Work for this question |

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