ACC 349: ACC349 r6 1594 KEISHA DAVIS

Week 2 Individual Assignment instructions | help

3. value: **6.00 points**

Barlow Company manufactures three products: A, B, and C. The selling price, variable costs, and contribution margin for one unit of each product follow:

	Product A	Product B	Product C
Selling price	$180	$ 240	$ 240
Variable expenses:			
Direct materials	18	72	27
Other variable expenses	126	96	177
Total variable expenses	144	168	204
Contribution margin	$ 36	$ 72	$ 36
Contribution margin ratio	20%	30%	15%

The same raw material is used in all three products. Barlow Company has only 5,400 pounds of raw material on hand and will not be able to obtain any more of it for several weeks due to a strike in its supplier's plant. Management is trying to decide which product(s) to concentrate on next week in filling its backlog of orders. The material costs $9 per pound.

Required:

1. Compute the amount of contribution margin that will be obtained per pound of material used in each product.

	A	B	C
Contribution margin per unit			
Direct material cost per unit			
Direct material cost per pound			
Pounds of material required per unit			
Contribution margin per pound			

2a. Compute the amount of contribution margin on each product.

	A	B	C
Contribution margin per pound			
Pounds of material available			
Total contribution margin			

2b. Which orders would you recommend that the company work on next week—the orders for product A, product B, or product C?

- ○ Product A
- ○ Product B
- ○ Product C

3. A foreign supplier could furnish Barlow with additional stocks of the raw material at a substantial premium over the usual price. If there is unfilled demand for all three products, what is the highest price that Barlow Company should be willing to pay for an additional pound of materials?

Maximum amount		per pound

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References | eBook & Resources

Expanded table	Learning Objective: 12-05 Determine the most profitable use of a constrained resource.
Difficulty: 1 Easy	Learning Objective: 12-06 Determine the value of obtaining more of the constrained resource.

Check my work