This task examines decision-making. Break-even analysis, together with the calculation of the margin of safety, is frequently associated. safety, is frequently assessed, as are limiting factors, make or buy decisions and special orders.

A firm is considering replacing some production machinery with newer, more efficient units. T are produced and sold are produced and sold.

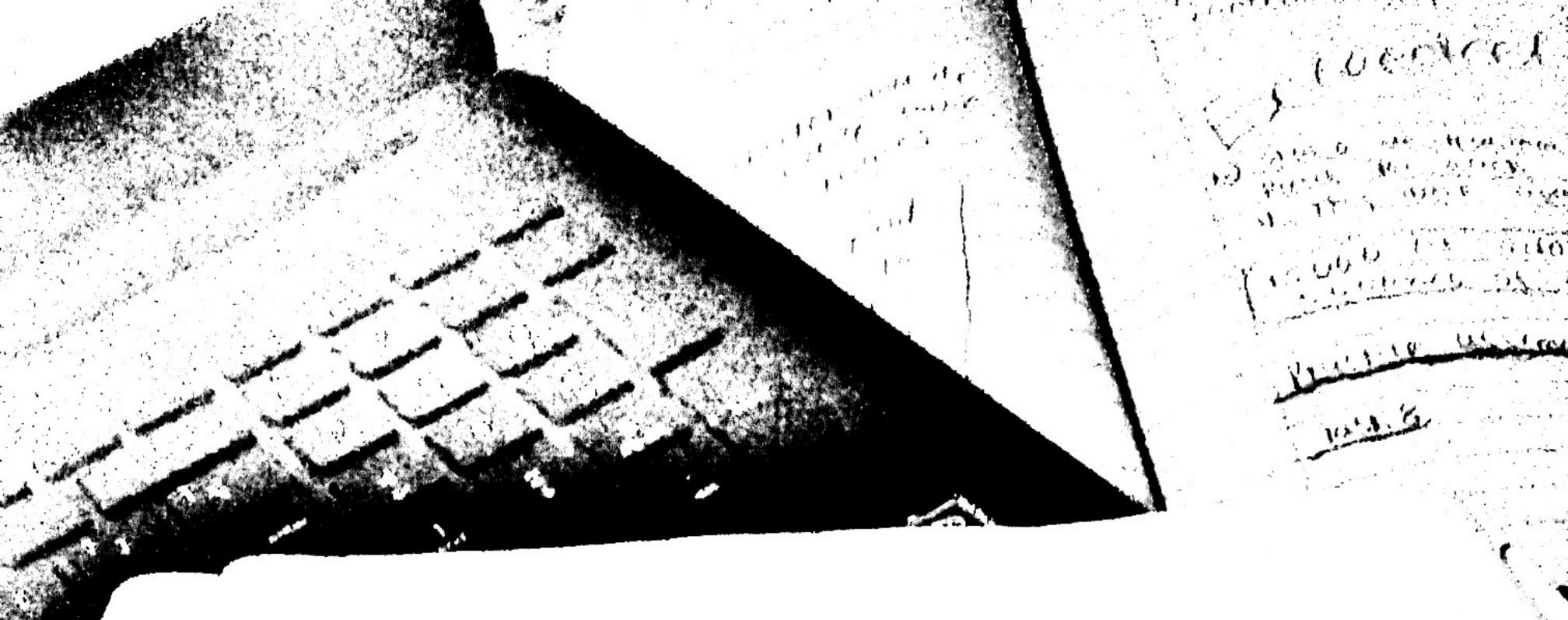
You have the following additional information.

Direct materials/unit £	Current costs	New machinery costs
Direct labour at £10/bour	£18.40	Usage down by 3%
/ariable power costs	£5.50	Time down by 5%
the new machinery the am	£0.30	Power saving of 20%

Fixed machine running costs including depreciation and power are £220,000. With the introduct of the new machinery the amount of depreciation will increase by £20,000.

Complete the table below to calculate the additional income or costs arising from investment in new machinery and indicate whether or not it should be purchased

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It is recommended that the firm does / does not buy th	5556 BEAC	



This task examines decision-making. Break-even analysis, together with the calculation of the margin of safety, is frequently assessed, as are limiting factors, make or buy decisions and special orders.

A firm is considering replacing some production machinery with newer, more efficient units. I machinery is used to produce a single item the NUT which solls for £36.20, Each year 25,000 NL are produced and sold.

You have the following additional information.

and the control of th	Current costs	New machinery costs
Direct materials/unit £	£18.40	Usage down by 3%
Direct labour at £10/hour	£5,50	Time down by 5%
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Savings in materials costs	
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It is recommended that the firm does / does not buy the machinery. (Delete as appropriate.)

Sales of production

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