Assignment

1. Boeing corporation (formerly Mcdonnel Douglas Corporation) manufacturers the C-17 the most flexible jet transport used by USA Air Force. The company originally sold the C-17 for a "flyway cost" of Rs 8,750 million per jet. The variable production cost of each C-17 was estimated to be approximately 8250 Rs. million. When the C-17 was first proposed in 1991, the Air Force expected to eventually purchase 400 jets. However, as of June 2019, only 232 C-17s have been produced and sold.

Production began and at one point the company was faced with the following situation: with 20 jest finished, a block of 20 more in production and funding approved for the purchase of a third block of 20 jets, the USA congress began indicating that it would approve funding for the order and purchase of only 20 more jets (for a total of 80). This was a problem for the company because company officials had indicated previously that the break-even point for the C-17 project was around 100 aircraft.

Required:

A. Given the previous facts concerning the sales price, variable costs, and breakeven point, what were McDonnel Douglas's fixed costs associated with the development of the C-17? 50000
B. What would the income or loss be if the company had sold only 80 C-17s? (10000) Loss
C. Assume the McDonnell Douglas had been told up front that the Air Force would buy only 80 jets. 9375 Calculate the selling price per jet that the company would have to charge to target profit (before tax) of 500 Rs. million per jet.
D. Assuming that the costs and sales price of the jet have remained the same over the years, how much income have McDonnell Douglas and Boeing made from the sale of the C-17? 66000

2. B&B Inc., a retailing company has two departments, X and Y. A recent monthly contribution format income state for the company follows.

	X	Y	Z
Sales	3,000,000 Rs	1,000,000 Rs.	4,000,000 Rs.
(less) Variable expenses	900,000	400,000	1300,000
Contribution margin	*2100,000*	*600,000*	*2700,000*
(less) Fixed expenses	1400,000	800,000	2200,000
Operating income (loss)	*700,000*	*(200,000)*	*500,000*

A study indicates that 340,000 Rs. of fixed expenses being charged to Y are sunk costs or allocated costs that will continue even if Y is dropped. In addition the elimination of Y will result in a 10% decrease in the sales of X.

Required: If department Y is discontinued, will this be a positive move or a negative move for the company as a whole?

Ans:- Dis continue → 1,50,000 RS → Operating Profit → Loss.