

The widget maker

The Walsall Widget company manufactures small quantities of plastic parts.

The company has been asked to quote for the manufacture of an adaptor for a popular make of school cartridge pen that allows it to be filled from an ink bottle.

Angel and Nagina do the pricing for the parts the company makes.

They use the following information:

Tooling up costs: £1 000

Production cost of each of the pen adaptors: 35p

Overhead to be added to cost of each adaptor: 33p

The marketing department think they can sell the adaptors for £1.50 each.

Task 1

How much would it cost to make 900 of the adaptors?

What would the sales income be if the company sold all of the adaptors?

Would the company make a profit or a loss?

Task 2

How much would it cost to make 1 300 of the adaptors?

What would the sales income be if the company sold all of the adaptors?

Did the company make a profit or a loss

Task 3*

How many adaptors must the company sell to 'break even'?

Break even is when the cost of producing the adaptors is the same as the sales income for selling them.

Hint: Guess a number of adaptors based on the results of task 1 and task 2 and then work out the profit or loss. Guess again.

Task 4*

The company wants to make about £300 profit on a batch of adaptors. Assuming they can sell all their adaptors to local schools, estimate the number of adaptors they need to make.