

REVIEW PROBLEM 2.2

BOXMOV Ltd manufactures boxes for moving. It manufactures the cardboard, an important part of the boxes. The following information is available about the expected costs of manufacturing the cardboard in 2015:

Variable manufacturing cost per m ² of cardboard:	
• Direct material costs	€3.00
• Direct manufacturing labour cost	€1.50
• Variable manufacturing overheads	€0.80
Fixed manufacturing costs	€300,000

Boxmov estimates needing 15,000 m² of cardboard in 2015.

Rollbox Ltd has approached Boxmov about supplying Boxmov in 2015 at €26 per m² of cardboard on whatever delivery Boxmov wants.

REQUIRED:

- 1) Should Boxmov manufacture the cardboard or buy it from Rollbox? Show your calculations.
- 2) Calculate purchasing price making it indifferent to make the cardboard or to purchase it.

