Chapter 7

7.1 Profit would increase from 10% of sales to 12% of sales. This would represent a 20% increase in profits.

7.2 Factor  | Weight | Ratings of Suppliers | Ranking of Suppliers
Supplier    | A      | B      | A   | B   |
Function   | 8      | 9      | 9   | 72  | 72  |
Cost       | 5      | 8      | 5   | 40  | 25  |
Technical  | 7      | 5      | 7   | 35  | 49  |
Credit terms | 2     | 8      | 4   | 16  | 8   |
RANKING     |        |        | 163 | 154 |

7.3 Fixed cost  = $5000
Variable cost = $5.00 per unit
Unit (average) cost = \[ \frac{5000 + 5.00}{10,000} = 5.50 \]

Price looks high and there should be some room to negotiate.