

The company calculates the production price of the product (wardrobe). The margin on the given product is 30% of the own performance costs. The employee who assembles the wardrobe needs 30 minutes to complete it. A painter needs 40 minutes to paint a cabinet. The costs associated with production are as follows:

- The cost of wood is 190 CZK/wardrobe
- The wage of an employee who assembles a wardrobe is CZK 160 per hour
- Hall lighting is calculated at 0.25 CZK/wardrobe
- Shipping costs are 15 CZK/piece
- The screws needed for production cost the company CZK 5/wardrobe
- Nuts cost 3.50 CZK/wardrobe
- Promotion costs are CZK 10,175/600 products
- Electricity consumed for operation is CZK 3/wardrobe
- The salary of a painter is 180 CZK/hour
- Management salary CZK 900,000/10,000 products
- The total production overhead is CZK 10/pc
- The accountant's salary is CZK 200,000/10,000 products
- Wood varnish costs CZK 100/10 pcs

a) *What is the selling price?*

b) *How much will it cost to make 48 tables?*

Irish whiskey producer Peaky Blinder currently supplies 60,000 units per year to its customers on the domestic market at a price of CZK 450/piece. Half of the production is taken by the wholesale trade and the other half by the retail trade. The annual cost function is  $N = 300Q + 2,950,000$ .

What is the economic result (total profit)?

Whiskey company Peaky Blinder is looking for additional distribution options. One of the options is also the possibility to sell your total production of 72,000 units only to a wholesaler with a purchase at the company for a price of CZK 405/unit. The annual cost function is  $N = 300Q + 2,950,000$ .

The second option is to use subscription only for retail. He could thus sell his total production of 64,500 units to retailers at a price of CZK 427.50/unit. In that case, however, he would have to bear additional transport costs in the amount of CZK 33/piece and costs associated with the activities of two business travelers (+ car) in the total amount of CZK 500,000/year.

Which sales route should the company choose? Will this distribution layout be beneficial?