

Capital Acquisition

The Box Score helps answer some of the key concerns surrounding capital acquisition decisions, such as:

- How would you approach this if you needed to purchase capital equipment to manufacture the item?
- How would you approach this if you have equipment, people, and capacity to make the product, but your standard cost is higher than the supplier's price?
- How would you approach this if the current supplier is another of your own divisions? What if the other division has plenty of available capacity?

Box Score showing the introduction of a new product family.

New machines and additional people are required to support planned growth. This Box example score shows the long-term impact on people and machinery,

		Current	6 Months	1 Year	18 Months	2 Years	30 Months	3 Years
Additional Monthly Quantity		0	1	5	10	15	20	30
OPERATIONAL	Units per Person	1.52	1.54	1.63	1.80	1.90	2.16	2.59
	On-Time Shipment	100%	100%	100%	100%	100%	100%	100%
	Dock-to-Dock Days	6.00	6.00	6.00	5.00	5.00	4.50	4.50
	First Time Through	80%	80%	85%	85%	85%	85%	85%
	Average Product Cost	\$3,481	\$3,480	\$3,278	\$2,985	\$2,821	\$2,497	\$2,092
	AR Days	42	42	42	42	37	37	37
CAPACITY	Productive	29%	33%	38%	34%	36%	41%	50%
	Non-Productive	54%	52%	55%	35%	33%	33%	33%
	Available Capacity	17%	15%	7%	31%	31%	26%	17%
FINANCIAL	Revenue	\$466,670	\$472,670	\$502,568	\$562,461	\$630,170	\$714,132	\$834,172
	Material Costs	\$172,085	\$175,385	\$178,685	\$181,935	\$184,686	\$187,101	\$189,160
	Conversion Costs	\$119,584	\$119,584	\$119,584	\$142,584	\$142,584	\$152,593	\$158,084
	Value Stream Gross Profit	\$175,001	\$177,701	\$204,299	\$237,942	\$302,900	\$374,438	\$486,928
	Value Stream ROS	37.50%	37.60%	40.65%	42.30%	48.07%	52.43%	58.37%

Additional People
Additional Machines

		5		2		1	
		3		2		1	
© BMA Inc. 2006	Material Costs per Unit	\$3,300	\$3,300	\$3,250	\$2,750	\$2,325	\$2,150