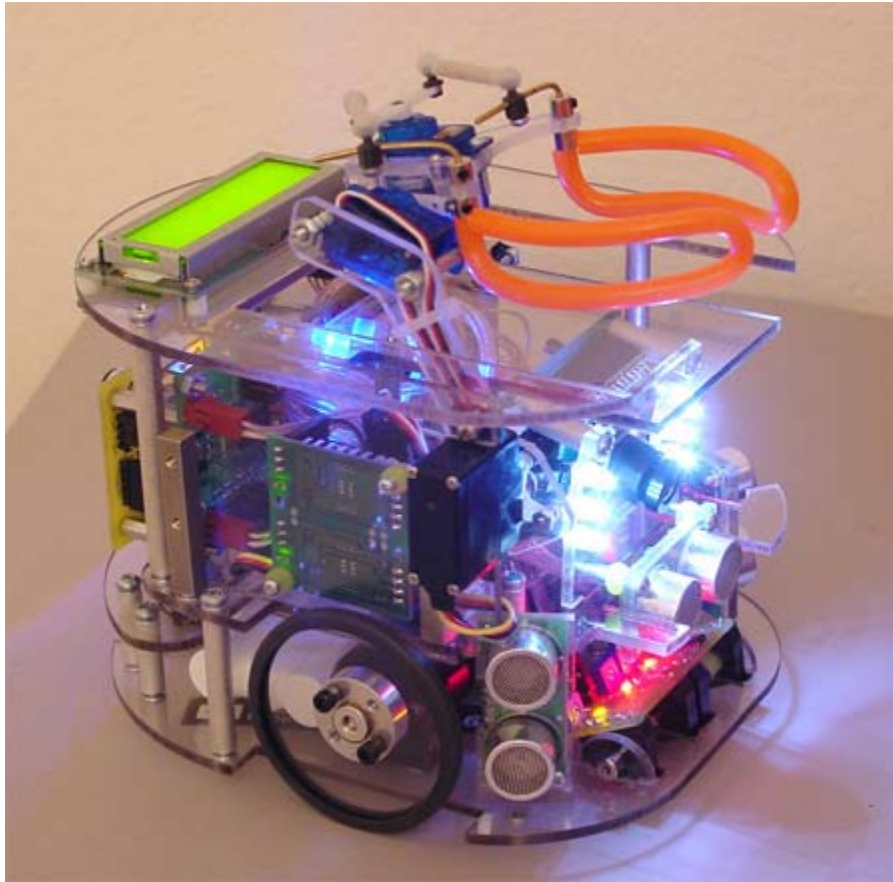


### Widget Example 3 (Breakeven Analysis)



ACME Corporation is considering making widgets to diversify their product line. They are comparing two widget-making machines whose costs and capacities are shown below:

Item	A	B
Initial Cost	\$2,000,000	\$2,300,000
Salvage Value	\$200,000	\$250,000
Service Life	10 yrs	12 yrs
O&M Cost	\$140,000/yr	\$80,000/yr
Variable Cost	\$100/each	\$110/each

Assuming a 15% MARR, at what annual production level would you choose Machine B over Machine A?