

Exercise 8-4 (10 minutes)

K425

<i>Activity Cost Pool</i>		<i>Activity Rate</i>		<i>Activity</i>	<i>ABC Cost</i>
Labor related.....	\$6	per direct labor-hour	80	direct labor-hours	\$ 480
Machine related.....	\$4	per machine-hour	100	machine-hours	400
Machine setups.....	\$50	per setup	1	setups	50
Production orders	\$90	per order	1	order	90
Shipments.....	\$14	per shipment	1	shipment	14
Product sustaining	\$840	per product	1	product	840
Total					<u>\$1,874</u>

M67

<i>Activity Cost Pool</i>		<i>Activity Rate</i>		<i>Activity</i>	<i>ABC Cost</i>
Labor related.....	\$6	per direct labor-hour	500	direct labor-hours	\$ 3,000
Machine related.....	\$4	per machine-hour	1,500	machine-hours	6,000
Machine setups.....	\$50	per setup	4	setups	200
Production orders	\$90	per order	4	orders	360
Shipments.....	\$14	per shipment	10	shipments	140
Product sustaining	\$840	per product	1	product	840
Total					<u>\$10,540</u>

	<i>K425</i>	<i>M67</i>
Total cost (a)	\$1,874	\$10,540
Number of units produced (b).....	200	2,000
Average cost per unit (a) ÷ (b)	\$9.37	\$5.27