ACC3302 Cost Accounting: ACC3302 Cost Accounting Online Fall 2018

ACC 3302 Chapter 9 B

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1. -B value: 1.00 points

Exercise 9-31 Plantwide versus Department Allocation (LO 9-2, 3)

Munoz Sporting Equipment manufactures baseball bats and tennis rackets. Department B produces the baseball bats, and Department T produces the tennis rackets. Munoz currently uses plantwide allocation to allocate its overhead to all products. Direct labor cost is the allocation base. The rate used is 200 percent of direct labor cost. Last year, revenue, materials, and direct labor were as follows:

	Baseball Bats	Tennis Rackets
Sales revenue	$1,595,000	$1,100,000
Direct labor	300,000	150,000
Direct materials	562,000	292,000

Required:

a. Compute the profit for each product using plantwide allocation.

	Profit
Baseball Bats	
Tennis Rackets	

b. Maria, the manager of Department T, was convinced that tennis rackets were really more profitable than baseball bats. She asked her colleague in accounting to break down the overhead costs for the two departments. She discovered that had department rates been used, Department B would have had a rate of 150 percent of direct labor cost and Department T would have had a rate of 300 percent of direct labor cost. Recompute the profits for each product using each department's allocation rate (based on direct labor cost).

	Profit
Baseball Bats	
Tennis Rackets	

References **eBook & Resources**

Worksheet Exercise 9-31 Plantwide versus Department Allocation (LO 9-2, 3)

Check my work

Battery Marks

Practice Bonus Assignment

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ACC 3302 Chapter 9 B

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2. B value: 1.00 points

Exercise 9-37 Activity-Based versus Traditional Costing (LO 9-4, 5, 6)

Maglie Company manufactures two video game consoles: handheld and home. The handheld consoles are smaller and less expensive than the home consoles. The company only recently began producing the home model. Since the introduction of the new product, profits have been steadily declining. Management believes that the accounting system is not accurately allocating costs to products, particularly because sales of the new product have been increasing.

Management has asked you to investigate the cost allocation problem. You find that manufacturing overhead is currently assigned to products based on their direct labor costs. For your investigation, you have data from last year. Manufacturing overhead was $1,310,000 based on production of 330,000 handheld consoles and 106,000 home consoles. Direct labor and direct materials costs were as follows:

	Handheld	Home	Total
Direct labor	$1,255,500	$ 382,000	$1,637,500
Materials	800,000	661,000	1,461,000

Management has determined that overhead costs are caused by three cost drivers. These drivers and their costs for last year are as follows:

		Activity Level		
Cost Driver	Costs Assigned	Handheld	Home	Total
Number of production runs	$ 540,000	35	10	45
Quality tests performed	578,000	14	20	34
Shipping orders processed	192,000	110	50	160
Total overhead	$1,310,000			

Required:

a. How much overhead will be assigned to each product if these three cost drivers are used to allocate overhead? What is the total cost per unit produced for each product? **(Round "Total cost per unit" to 2 decimal places.)**

	Overhead	Total Cost per Unit
Handheld		
Home		

b. How much overhead will be assigned to each product if direct labor cost is used to allocate overhead? What is the total cost per unit produced for each product? **(Do not round intermediate calculations. Round "Total cost per unit" to 2 decimal places.)**

	Overhead	Total Cost per Unit
Handheld		
Home		

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References **eBook & Resources**

Worksheet Exercise 9-37 Activity-Based versus Traditional Costing (LO 9-4, 5, 6)

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ACC 3302 Chapter 9 - H

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1. H value: 50.00 points

Problem 9-48 Comparative Income Statements and Management Analysis (LO 9-1, 5, 6)

EZ-Seat, Inc., manufactures two types of reclining chairs, Standard and Ergo. Ergo provides support for the body through a complex set of sensors and requires great care in manufacturing to avoid damage to the material and frame. Standard is a conventional recliner, uses standard materials, and is simpler to manufacture. EZ-Seat's results for the last fiscal year are shown in the statement below.

EZ-SEAT, INC.
Income Statement

	Ergo	Standard	Total
Sales revenue	$2,000,000	$5,000,000	$7,000,000
Direct materials	600,000	1,500,000	2,100,000
Direct labor	400,000	500,000	900,000
Overhead costs			
Administration			450,000
Production setup			435,000
Quality control			294,000
Distribution			632,000
Operating profit			$2,189,000

EZ-Seat currently uses labor costs to allocate all overhead, but management is considering implementing an activity-based costing system. After interviewing the sales and production staff, management decides to allocate administrative costs on the basis of direct labor costs but to use the following bases to allocate the remaining costs:

		Activity Level	
Activity Base	Cost Driver	Ergo	Standard
Setting up	Number of production runs	50	100
Performing quality control	Number of inspections	210	210
Distribution	Number of units shipped	1,500	6,400

Required:

a. Complete the income statement using the preceding activity bases. **(Do not round intermediate calculations.)**

Account	Ergo	Standard	Total
Sales revenue	$ 2,000,000	$ 5,000,000	$ 7,000,000
Direct materials	$ 600,000	$ 1,500,000	$ 2,100,000
Direct labor	400,000	500,000	900,000
Overhead costs:			
Administration			450,000
Production setup			435,000
Quality control			294,000
Distribution			632,000
Total overhead costs			1,811,000
Operating profit (loss)			$ 2,189,000

c. Restate the income statement for EZ-Seat using direct labor costs as the only overhead allocation base. **(Do not round intermediate calculations.)**

Account	Ergo	Standard	Total
Sales revenue	$ 2,000,000	$ 5,000,000	$ 7,000,000
Direct materials	600,000	1,500,000	2,100,000
Direct labor	400,000	500,000	900,000
Overhead costs			
Operating profit (loss)			

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References **eBook & Resources**

Financial Statements Problem 9-48 Comparative Income Statements and Management Analysis (LO 9-1, 5, 6)

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ACC3302 Cost Accounting: ACC3302 Cost Accounting Online Fall 2018

ACC 3302 Chapter 9H

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2-H

value:
50.00 points

Problem 9-51 Activity-Based Costing and Predetermined Overhead Allocation Rates (LO 9-3, 5, 6)

Kitchen Supply, Inc. (KSI), manufactures three types of flatware: institutional, standard, and silver. It applies all indirect costs according to a predetermined rate based on direct labor-hours. A consultant recently suggested that the company switch to an activity-based costing system and prepared the following cost estimates for year 2 for the recommended cost drivers.

Activity	Recommended Cost Driver	Estimated Cost	Estimated Cost Driver Activity
Processing orders	Number of orders	$ 54,000	225 orders
Setting up production	Number of production runs	228,000	120 runs
Handling materials	Pounds of materials used	280,000	100,000 pounds
Machine depreciation and maintenance	Machine-hours	220,000	11,000 hours
Performing quality control	Number of inspections	68,000	50 inspections
Packing	Number of units	96,000	480,000 units
Total estimated cost		$946,000	

In addition, management estimated 7,100 direct labor-hours for year 2.

Assume that the following cost driver volumes occurred in January, year 2:

	Institutional	Standard	Silver
Number of units produced	61,000	24,000	8,000
Direct materials costs	$42,000	$27,000	$16,000
Direct labor-hours	470	460	620
Number of orders	11	8	5
Number of production runs	2	4	6
Pounds of material	16,000	5,000	3,200
Machine-hours	570	130	80
Number of inspections	4	3	4
Units shipped	61,000	24,000	8,000

Actual labor costs were $14 per hour.

Required:

a.

(1) Compute a predetermined overhead rate for year 2 for each cost driver using the estimated costs and estimated cost driver units prepared by the consultant. **(Round your answers to 2 decimal places.)**

Activity	Rate	
Processing orders		per order
Setting up production		per run
Handling materials		per pound
Using machines		per machine hour
Performing quality control		per inspection
Packing		per unit

(2) Compute a predetermined rate for year 2 using direct labor-hours as the allocation base. **(Round your answer to 2 decimal places.)**

Predetermined rate per direct labor-hour	

b. Compute the production costs for each product for January using direct labor-hours as the allocation base and the predetermined rate computed in requirement **a(2)**. **(Do not round intermediate calculations.)**

Account	Institutional	Standard	Silver	Total
Direct materials	$ 42,000	$ 27,000	$ 16,000	$ 85,000
Direct labor				
Indirect costs				
Total cost				

c. Compute the production costs for each product for January using the cost drivers recommended by the consultant and the predetermined rates computed in requirement **a**. (*Note:* Do not assume that total overhead applied to products in January will be the same for activity-based costing as it was for the labor-hour-based allocation.) **(Do not round intermediate calculations.)**

Account	Institutional	Standard	Silver	Total
Direct materials	$ 42,000	$ 27,000	$ 16,000	$ 85,000
Direct labor				
Indirect costs				
Processing orders				
Setting up production				
Handling materials				
Using machines				
Performing quality control				
Packing				
Total cost				

References **eBook & Resources**

Worksheet Problem 9-51 Activity-Based Costing and Predetermined Overhead Allocation Rates (LO 9-3, 5, 6)

Check my work