

Which of the following is a non-value-added activity? **Building maintenance**

Johnstone Company manufactures two products, Board 12 and Case 165. Johnstone's overhead costs consist of setting up machines, \$1,600,000; machining, \$3,600,000; and inspecting, \$1,200,000. Information on the two products is:

	<u>Board 12</u>	<u>Case 165</u>
Direct labor hours	15,000	25,000
Machine setups	600	400
Machine hours	24,000	26,000
Inspections	800	700
Overhead applied to Case 165 using activity-based costing is	\$3,072,000	

Ben Gordon, Inc. manufactures 2 products, wheels and seats. The company has estimated its overhead in the assembling department to be \$330,000. The company produces 300,000 wheels and 600,000 seats each year. Each wheel uses 2 parts, and each seat uses 3 parts. How much of the assembly overhead should be allocated to wheels? **\$82,500**

A value-added activity in a service enterprise is **performing landscaping services**

Wallace Computer Company produces three products: Earth, Wind, and Fire. Earth requires 80 machine setups, Wind requires 60 setups, and Fire requires 180 setups. Wallace has identified an activity cost pool with allocated overhead of \$720,000 for which the cost driver is machine setups. How much overhead is assigned to each product? **Earth: \$180,000 Wind: \$240,000 Fire: \$405,000**

Often the most difficult part of computing accurate unit costs is determining the proper amount of _____ to assign to each product, service, or job. **Overhead**

A well-designed activity-based costing system starts with **analyzing the activities performed to manufacture a product.**

Port Accounting performs two types of services, Audit and Tax. Port's overhead costs consist of computer support, \$240,000; and legal support, \$120,000. Information on the two services is:

	<u>Audit</u>	<u>Tax</u>
Direct labor cost	\$50,000	\$100,000
CPU minutes	40,000	10,000
Legal hours used	200	800

Port Accounting performs tax services for Cathy Kane. Direct labor cost is \$1,200; 600 CPU minutes were used; and 1 legal hour was used. What is the total cost of the Kane job using activity-based costing? **\$4,200**

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