Dakota office products persuasive essay

Business

Why was Dakota’s existing pricing system inadequate for its current operatingenvironment? - profits only when clients placed large orders for cartons - real drop of profit if many clients place small orders - wrong cost determination for individual customers wrong cost determination for new services provided by DOP (to small charges for the “ desktop” delivery, then the actual cost of it) Develop an activity-base cost system for Dakota Office Products based on Year 200 data. Calculate the activity cost-driver rate for each DOP activity in 2000.

Activity cost-driver rates: Activity One: process cartons in and out of the facility Rate=(90% of Warehouse Personnel Expense + Cost o Items Purchased)/cartons processed Rate=(90%*2, 400, 000+35, 000, 000)/80, 000= 464. 5 $/per carton Activity Two: the new desktop delivery service Rate=(10% of Warehouse Personnel Expense + Delivery Truck Expenses)/desktop deliveries Rate=(10%2, 400, 000+200, 000)/2000= 220 $/per carton Activity Three: order handling Rate=(Warehouse Expenses + Freight)/ number of orders Rate=(2, 000, 000+450, 000)/(16, 000+8, 000)= 102. 08 $/per order

Activity Four: data entry Rate= Order entry expenses/Order lines Rate= 800, 000/150, 000= 5. 3 orders/per line 3. Using your answer to question 2, calculate the profitability of Customer A and Customer B. Activity One: process cartons in and out of the facility –> Number of cartons ordered Activity Two: the new desktop delivery service –> Number of desktop deliveries Activity Three: order handling –> Number of orders (manual + EDI) Activity Four: data entry –> Number of line items Manufacturing Overhead cost-driver rates Customer A Customer B Customer A...