

Wilkerson company essay sample



**ASSIGN
BUSTER**

Everything you need is in the case and in the requirements provided below. I will not provide any interim feedback on this case so please do not send me any preliminary analysis to check whether you are “ on track.”

Address the issues/questions provided below in your case report. The format of the write up can be either in the form of detailed answers to each of the questions below or as a comprehensive, smooth-flowing case analysis. No page limits and you can include any number of exhibits. Please submit the case through the ELearning assignment drop box tool. One submission per group is enough.

I have observed in the past that the best reports are from those groups where all the group members work on the entire project and not those that divide up the work by assigning a few questions to each member and cobbling together a report.

Plagiarism of any form will be subject to penalties/sanctions described under the academic code of conduct section in the syllabus.

Issues/Questions:

1. What is the competitive situation faced by Wilkerson?
2. Given some of the apparent problems with Wilkerson's cost system, should executives abandon overhead assignment to products entirely by adopting a contribution margin approach in which manufacturing overhead is treated as a period expense? Why or why not?

3. How does Wilkerson's existing cost system operate? Develop a diagram to show how costs flow from factory expense accounts to products.

4. Develop and diagram an activity-based cost (ABC) model using the information in the case.

5. Estimate the ABC-based cost and profitability of Wilkerson's three product lines by estimating the various activity cost driver rates using the manufacturing overhead amount and actual total usage data of the various activity cost drivers in March 2000 provided in Exhibit 4. Why are these costs and profits different from the product costs reported in Exhibit 2? What causes any shifts in cost and profitability?

6. Repeat the ABC cost and profitability analysis in (5) by estimating the various activity cost driver rates using the March 2000 manufacturing overhead amount (because the heavy demand was handled without any production delays or use of overtime) and the "heavy demand" capacity information provided in the very last sentence of the case in page 3. Which of these, in your opinion, more accurately captures the consumption of factory resources by Wilkerson's products?

7. Estimate the total overhead applied to the three products, respectively, under (5) and (6). Why are they different? How do you interpret the difference in this total applied overhead?

8. How can Wilkerson's management team use the information from the activity analysis of overhead expenses for cost reduction and cost control purposes?

9. What are the limitations of the ABC system used at Wilkerson? How do you think it can be improved?

10. Wilkerson has been compensating salespersons with commissions on their gross sales volumes (less returns). Parker wonders whether the company should change this incentive system. What is your recommendation?

If you feel that you have to make additional assumptions for the purposes of your analysis please mention them explicitly in your write-up. Of course, assumptions that result in ignoring relevant and important information provided in the case may lead to incorrect inferences.

The case analysis will involve an understanding and application of Activity-based Costing (ABC) and Activity-based Management (ABM). Hopefully, the case will help you understand how a basic knowledge of management accounting concepts can aid decision-makers in manufacturing organizations in improving profitability.