

# [Acc403 mod 5 case slp](https://assignbuster.com/acc403-mod-5-case-slp/)

The organization that is chosen for study is Microsoft. Microsoft is a global leader in system software and application software. The company is the leader in creating and providing of desktop, laptop, handheld and mobile operating system, network operating system as well as application software like . net, Visual suite of products etc. It is also a leader in providing office productivity software like Word, Excel, Power Point and personal database – Access. It is also a leader in internet access software – internet explorer and its mail clients – Outlook and Outlook express are most sought after mail access clients.
There is no actual data that is available in public domain and hence the figures presented here are only to highlight the learning assimilation that has happened and do not reflect actualness or claim any authenticity.
The activity and activity drivers identified are:
Activity
Activity Drivers
Designing of software
Design Changes
Ordering
Number of orders
Packaging
Machine time
Marketing
Number of customer agreements
The company uses the actual costs and activity rates which are shown below:
(All figures in USD)
Activity Driver
Costs of Activity
Total Driver Usage
Application Rate
Design Changes
1, 225, 000
12, 250 changes
100/change
No. of Orders
325, 000
6, 500 orders
50/Order
Machine time
3, 050, 000
1, 525 hours
2000/hour
No. of agreements
1, 400, 000
7, 000 agreements
200/agreement
Application rates are then multiplied by the cost driver usage for each product to determine the cost to be applied to each product:
Product
Activity
Application Rate
Driver Usage
Cost
MS-Office
Designing of software
100/change
225 changes
22, 500
Ordering
50/Order
150 orders
7, 500
Packaging
2000/hour
100 hours
200, 000
Marketing
200/agreement
200 agreements
40, 000
Total overhead costs to be applied to each standard MS-Office package: 270, 000. 00
MS-Office Professional
Designing of software
100/change
1000 changes
100, 000
Ordering
50/Order
500 orders
25, 000
Packaging
2000/hour
52. 5 hours
105, 000
Marketing
200/agreement
500 agreements
100, 000
Total overhead costs to be applied to each standard MS-Office professional package:
330, 000. 00
Bibliography
1. The ICFAI University Press. (2004). Introduction to Management Accounting. Hyderabad: The ICFAI University Press.
2. Value based Management. net. (2008, March 25). Activity Based Costing Method ABC Methodology. Retrieved July 15, 2008, from Value based Management. net: http://www. valuebasedmanagement. net/methods\_abc. html