

# [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