

# Acc403 mod 5 case slp



**ASSIGN  
BUSTER**

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)

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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

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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](http://www.valuebasedmanagement.net/methods_abc.html)