

# Unit level and multiple level costing assignment



Case Study Master Budget Candyce Cooper Dr Eugene McDermott Unit Level and Multiple Level Cost Assignment with Decision Implications Case Study Candyce Cooper Dr Eugene McDermott Activity Based Costing is a costing tool that corporations use to identify costs that are associated with the production of an item. CarryAll Company produces specialty and standard briefcases. This company has not adopted ABC.

Therefore, by not using ABC, the president believes that the producing specialty briefcases are both beneficial for the company and the president, but this is not true. Without using ABC, CarryAll only applies direct and indirect costs. The president was concerned with standard cases showing a loss while specialty was showing a profit. The company will see an overall higher profit by using ABC by \$. 25. (18250-18225) Answers: These answers can be traced back to Excel.

A: Purchasing Department Cost, Cost of Receiving & Inspecting materials, Production line setup, Cost of inspecting finished goods, Equipment-Related Costs and Plant Cost. B: For Standard and Specialty, they are \$27. 95 and \$32. 89 respectively. C: Based on the results, it does appear the company would benefit by producing more specialty cases but that is not true. After using ABC, it shows that the company would benefit by producing more standard briefcases.

D: Whenever a costing system is used, it should identify the various activities at a corporation and use multiple cost drivers to assign overhead costs and indirect costs to products. ABC improves the accuracy when compared to traditional costing systems, such as the one CarryAll used. It gives a better

understanding of overhead. ABC utilizes unit cost rather than just total cost. If CarryAll's president is interested in understanding why ABC is important, he needs to look at the Operating Profit because it looks at all activities versus looking at costs.