

Trident Electric Motors manufactures custom-built electric motors in the range of 0.5 kW to 12 kW. While some customers give the design for the motors, others also take the help of the design team of Trident to develop the product. The company is so far following simple method of costing in which it captures all direct costs and adds Rs. 20,000 per production hour as indirect cost. If the customer takes the service of design department, the design charges are added at the rate of Rs. 200,000 per design plus proto-type making charges. Two customers manufacturing electronic devices places a order for 4000 customized motors. The first customer K-Electronics wants the supplies at the rate of 1000 pieces per quarter and 4 designs. The second customer, Rana Electronics requires the entire supply in single delivery with one design. The material cost for two orders is approximately Rs. 200 per unit and total machine hours required is 200 production hours.

- (a) What is the cost of two orders under existing method of costing?
- (b) An internal estimate shows the break-up of indirect cost as follows: Assembly Centre Cost: Rs. 15000 per assembly hour; Order processing cost: Rs. 50000 per order; Set-up cost: Rs. 200,000 per setup. If the company decides to use the additional information, what is the cost of two orders under the new costing system?