Computation of Product Cost under Traditional Method

|  |  |  |
| --- | --- | --- |
| Particulars | Regular Rolling Suitcases | Deluxe Rolling Suitcases |
| Units Produced | 10000 | 5000 |
|  | Rs Per Unit | Rs Per Unit |
| Direct Materials | 400000 40.00 | 210000 42.00 |
| Direct Labour | 375000 37.50 | 225000 45.00 |
| Total Prime Cost | 775000 77.50 | 435000 87.00 |
| Add: Manufacturing Cost | 71000 7.10 | 129000 25.80 |
| Total Product Cost | 846000 84.60 | 564000 112.80 |

Working:

|  |  |  |
| --- | --- | --- |
| Activity Cost | Cost Driver level | Activity Cost per Unit |
| Set up Rs.70000 | 700 Set ups | Rs 100 per set up |
| Inspection Rs.60000 | 500 inspections | Rs 120 per inspection |
| Packaging Rs 50000 | 2000 packaging hours | Rs.25 per packaging hour |
| Building Rs.20000 | 10000 machine hours | Rs 2 per machine hour |

Regular Suit Case

|  |  |  |
| --- | --- | --- |
| Activity Cost Rate | Cost Driver Level | Cost Applied Rs |
| Rs. 100 per Set up | 300 Set ups | 30000 |
| Rs 120 per inspection | 150 inspections | 18000 |
| Rs 25 per packaging hour | 600 packaging hour | 15000 |
| Rs 2 per machine hour | 4000 machine hours | 8000 |
|  |  | Total:71000 |
|  |  | Per Unit 71000/10000=7.10 |

Deluxe Suit case

|  |  |  |
| --- | --- | --- |
| Activity Cost Rate | Cost Driver Level | Cost Applied Rs |
| Rs. 100 per Set up | 400 Set ups | 40000 |
| Rs 120 per inspection | 350 inspections | 42000 |
| Rs 25 per packaging hour | 1400 packaging hour | 35000 |
| Rs 2 per machine hour | 6000 machine hours | 12000 |
|  |  | Total:129000 |
|  |  | Per Unit 129000/5000=25.80 |