



Listed here are the total costs associated with the 2015 production of 1,000 drum sets manufactured by TrueBeat. The drum sets sell for \$500 each.

Costs	Variable or Fixed		Product or Period	
	Variable	Fixed	Product	Period
1. Plastic for casing—\$17,000	\$17,000	—	\$17,000	—
2. Wages of assembly workers—\$82,000	—	—	—	—
3. Property taxes on factory—\$5,000	—	—	—	—
4. Accounting staff salaries—\$35,000	—	—	—	—
5. Drum stands (1,000 stands purchased)—\$26,000	—	—	—	—
6. Rent cost of equipment for sales staff—\$10,000	—	—	—	—
7. Upper management salaries—\$125,000	—	—	—	—
8. Annual flat fee for factory maintenance service—\$10,000	—	—	—	—
9. Sales commissions—\$15 per unit	—	—	—	—
10. Machinery depreciation, straight-line—\$40,000	—	—	—	—

Required

- Classify each cost and its amount as (a) either variable or fixed and (b) either product or period. (The first cost is completed as an example.)
- Compute the manufacturing cost per drum set.

Analysis Component

- Assume that 1,200 drum sets are produced in the next year. What do you predict will be the total cost of plastic for the casings and the per unit cost of the plastic for the casings? Explain.
- Assume that 1,200 drum sets are produced in the next year. What do you predict will be the total cost of property taxes and the per unit cost of the property taxes? Explain.

PROBLEM

Problem 18

Cost computation, classification, and analysis

C2 C3



Check (1) Total production cost