

Records for two clients appear here:

Job	Total Direct Costs	Total Number of Designs	Total Programming Direct Labor Hours	Number of Tests
Owen's Trains	\$ 11,200	1	700	4
Caleigh's Cookies	500	2	100	5

Requirements

1. Compute the total cost of each job.
2. Is the job cost greater or less than that computed in Problem 16-37 for each job? Why?
3. If Haupt wants to earn profits equal to 2.5% of sales revenue, how much (what fee) should it charge each of these two clients?

Apply Your Knowledge

Decision Cases

Case 1. Harris Systems specializes in servers for workgroup, e-commerce, and ERP applications. The company's original job costing system has two direct cost categories: direct materials and direct labor. Overhead is allocated to jobs at the single rate of \$22 per direct labor hour.

A task force headed by Harris's CFO recently designed an ABC system with four activities. The ABC system retains the current system's two direct cost categories. Thus, it budgets only overhead costs for each activity. Pertinent data follow:

Activity	Allocation Base	Cost Allocation Rate
Materials handling	Number of parts	\$ 0.85
Machine setup	Number of setups	500.00
Assembling	Assembling hours	80.00
Shipping	Number of shipments	1,500.00

Harris Systems has been awarded two new contracts, which will be produced as Job A and Job B. Budget data relating to the contracts follow:

	Job A	Job B
Number of parts.....	15,000	2,000
Number of setups.....	6	4
Number of assembling hours.....	1,500	200
Number of shipments.....	1	1
Total direct labor hours	8,000	600
Number of output units	100	10
Direct materials cost.....	\$220,000	\$30,000
Direct labor cost.....	\$160,000	\$12,000