Natural Cosmetic Ltd (NCL) has used a conventional cost accounting system to apply quality control costs uniformly to all products at a rate if 16 per cent of direct labour cost. Monthly direct labour cost for Satin Sheen make-up is $98000. In attempt to distribute quality control costs more equitably, NCL is considering activity-based costing. The data on the following page relates to monthly quality control costs for Satin Sheen make-up:

|  |  |  |  |
| --- | --- | --- | --- |
| Activity | Activity Driver | Cost per unit of activity driver | Quantity of activity driver for enamel paint |
| Incoming material inspection | Type of material | $23 per Type | 24 Types |
| In process Inspection | Number of units | $0.28 per unit | 35000 Units |
| Product certification | Per order | $144 per order | 50 orders |

Required :

1. Calculate the monthly quality control cost to be assigned to the satin Sheen product line under each of the following approaches:
2. Conventional system which assign overhead on the basis of the direct labour costs.
3. Activity based costing.
4. Does the conventional product costing system overcost or undercost the Satin Sheen product line with the respect to quality-control costs? By what amount and why?