1. Kinney Industries has recently switched its method of applying manufacturing overhead from a single predetermined overhead rate based on direct labor hours to activity-based costing (ABC). Assume that the direct labor rate is $18.00 per hour and that there were no beginning inventories. The following cost drivers and rates have been developed for allocating manufacturing overhead costs:

|  |  |  |
| --- | --- | --- |
| Activity  Material handling | Cost Driver  Number of parts used | Rate  $2.00 per part |
| Assembly and inspection Testing | Number of direct labor hours Number of units tested | $25.00 per DLH  $5.00 per unit |

The following production, costs, and activities occurred during the month of August:

Units Produced

Direct Material Cost

Number of Parts Used

Direct Labor Hours

6,400 $208,600 142,000 26,480

# Required:

1. Calculate the total manufacturing cost and the cost per unit for the month of August.
2. Assume instead that Kinney Industries applies manufacturing overhead on the basis of $40.00 per

direct labor hours (rather than the ABC method). Calculate the total manufacturing overhead cost applied for the month of August.