**Question 4**

Kapur Company manufactures two products: S and K. Manufacturing support costs are estimated to be RM2 million for the current year. Estimated unit cost and production data are as follows:



**Required:**

a. Estimate the manufacturing cost per unit of each product if support costs are assigned to products on the traditional basis of direct labour hours

b. Assume next that the company’s manufacturing support costs can be traced to four activities as follows:



**Required:** Estimate the manufacturing cost per unit of each product if an activity based costing approach is used.

c. A prospective customer has requested a bid on a two year contract to purchase 1,000 units of Product S every month. Kapur Company has a policy of adding a 25% mark-up to the full manufacturing cost to determine the bid price.

**Required**:

i) What is the bid price when the traditional costing basis is used?

ii) What is the bid price when the activity based costing approach is used?

iii) Explain your answers in parts (i) and (ii) above.