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| *Compute product cost and prepare an income statement under variable and absorption costing*.  (Polk Company builds custom fishing lures for sporting goods stores. In its first year of operations, 2012, the company incurred the following costs.   |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | | |  |  | | --- | --- | | **Variable Cost per Unit** |  | | Direct materials | $7.50 | | Direct labor | $2.45 | | Variable manufacturing overhead | $5.75 | | Variable selling and administrative expenses | $3.90 | | **Fixed Costs per Year** |  | | Fixed manufacturing overhead | $234,650 | | Fixed selling and administrative expenses | $240,100 | | |   Polk Company sells the fishing lures for $25. During 2012, the company sold 80,000 lures and produced 95,000 lures.  Instructions   |  |  | | --- | --- | | (a) | Assuming the company uses variable costing, calculate Polk's manufacturing cost per unit for 2012. | | (b) | Prepare a variable costing income statement for 2012. |  |  |  | | --- | --- | | (c) | Assuming the company uses absorption costing, calculate Polk's manufacturing cost per unit for 2012. | | (d) | Prepare an absorption costing income statement for 2012. | |
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