Use the information below for Bob’s tires:

Activity Activity Costs Cost driver

Product Design $212,000 1,500 design hours

Product Scheduling $180,000 400 set-ups

Machining $600,000 5,000 machine hours

Material Handling $160,000 4,000 pallet moved

Cost and activity associated with producing 400 units of product number A-1 is as follows:

Direct materials $5,400

Direct labor $1,200

Design hours 5

Set-ups 3

Labor hours 40

Machine hours 18

Pallets moved 10

Units produced 400

1. Develop activity rates for each of the four activities of Bob’s.
2. What is the product cost for ONE UNIT of A-1 using ABC rates for applying overhead.
3. What is the product cost of one unit of A-1 if Bob’s uses a plant-wide overhead rate based on machine hours (assume 5,000 machine hours plant-wide).