Topic: Customer profitability analysis; Activity based costing

The following activity based costing information was the basis for the analysis

**Customer-Related Activity Cost Driver Base Cost Driver Rate**

Sales activity Sales visit………………………….$2,000  
Order taking………………………………. Purchase order……………….. $400  
Special handling…………………………. Units handled…………………. $100  
Special shipping…………………………… Shipments……………………… $1,000

Cost driver data for two of FiberCom’s customers for the most recent year are:

**Customer Related Activity Caltex Computer Trace Telecom**

Sales activity………………………………. 8 visit ……………………….. 6 visits  
Order taking……………………………… 15 order ………………….. 20 order  
Special handling……………………….. 800 units handled……………. 600 units handled  
Special shipping………………………… 18 shipments……………………. 20 shipments

The following additional information has been complied for the FiberCom for two of its customers,  
Caltex Computer and Trace Telecom, for the most recent year:

**Caltex Computer Trace Telecom**Sales revenue…………………………… $380,000…………………………………. $247,600  
Cost of goods sold…………………… $160,000………………………………….. $124,000  
General selling costs…………………. $48,000…………………………………… $36,000  
General administrative costs…….. $38,000………………………………….. $32,000

Required:

1. Prepare a customer profitability analysis for Caltex Computer and Trace Telecom.
2. Build a spreadsheet: Construct an Excel spreadsheet to solve requirement (1) above. Show how the solution will change if the following information changes: Trace Telecom’s sales revenue was $250,000 and Caltex Computer’s cost of goods sold was $155,000.