|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Problem 2: Tiny Tim’s Bookcases- Variable Costing vs Full Costing | | | | | | | |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | The information for Tiny Tim's Bookcases for the first two years of its operations is as follows: | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Selling price per unit | | |  |  |  |  |  | $600 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Variable production costs per unit produced | | | | |  |  |  | $210 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Variable selling costs per unit per unit sold | | | | |  |  |  | $12 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Fixed production costs | | |  |  |  |  |  | $75,000 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Fixed selling and administrative expenses | | | | |  |  |  | $46,000 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Units sold each year | | |  |  |  |  |  | 1,000 | units | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Annual production in units: | | |  |  |  |  |  |  |  |  |
|  |  |  | 2010 |  |  |  |  |  | 1,000 | units | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  | 2011 |  |  |  |  |  | 1,250 | units | |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
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|  |  |  |  |  |  |  |  |  |  |  |  |
|  | Part a: Compute the unit product cost under full (absorption) costing for 2010. | | | | | | | | |  |  |
|  | Part b: Compute the unit product cost under variable costing for 2010. | | | | | | | |  |  |  |

Part c: Prepare a variable costing income statement for 2010. No statement heading is required.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
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| Part d: Prepare a full (absorption) costing income statement for 2010. No statement heading is required. | | | | | | | | | |
| Part e: Compute the unit product cost under full (absorption) costing for 2011. | | | | | | | | | |
| Part f: Compute the unit product cost under variable costing for 2011. | | | | | |  | |  |

(If you could please show the steps and the work so I can gain full understanding of what I need to do.)