**18-2A** – Listed here are the total costs associated with the 2011 production of 1,000 drum sets manufactured by NeatBeat. The drum sets sell for $300 each.

|  |  |  |
| --- | --- | --- |
| **Costs** | **Cost by Behavior****Variable Fixed** | **Cost by Function****Product Period** |
| 1. Plastic for casing - $12,000
 |  $12,000 |  $12,000 |
| 1. Wages of assembly worker - $60,000
 |  |  |
| 1. Property taxes on factory - $6,000
 |  |  |
| 1. Accounting staff salaries - $45,000
 |  |  |
| 1. Drum stands (1,000 stands outsources) - $25,000
 |  |  |
| 1. Rent cost of equipment for sales staff - $7,000
 |  |  |
| 1. Upper management salaries - $100,000
 |  |  |
| 1. Annual flat fee for maintenance service - $9,000
 |  |  |
| 1. Sales commissions - $10 per unit
 |  |  |
| 1. Machinery depreciation - $10,000
 |  |  |

**Required**

1. Classify each cost and its amount as (a) either fixed or variable and (b) either product or period. (The first cost is completed as an example)
2. Compute the manufacturing cost per drum set.

**Analysis Component**

1. Assume that 1,200 drum sets are produced in the next year. What do you predict will be the total cost of plastic for the casings and the per unit cost of the plastic for the casings? Explain.
2. Assume that 1,200 drum sets are produced in the next year. What do you predict will be the total cost of property taxes and the per unit cost of the property taxes? Explain