**5.** Bittman Company produces picture frames. During its first year of operations, the company produced 10,000 frames and sold 9,000 frames at $12 per frame. The company’s cost information includes the following:

|  |  |
| --- | --- |
| Direct materials | $2.00 per frame |
| Direct labor | $3.00 per frame |
| Variable manufacturing overhead | $1.00 per frame |
| Variable selling and administrative expenses | $3.00 per frame |
| Fixed manufacturing overhead | $20,000 per year |
| Fixed selling and administrative expenses | $5,000 per year |

Compute the unit product cost under absorption costing.
Compute the unit product cost under variable costing.
Compute the net income using absorption costing.
Compute the net income using variable costing.
Explain the difference in the net income determined under the absorption and variable costing methods.