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| Gino’s Restaurant is a popular restaurant of Boston, Massachusetts. The owner of the restaurant has been trying to better understand costs at the restaurant and has hired a student intern to conduct an activity-based costing study. The intern, in consultation with the owner, identified the following major activities: |

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|   Activity Cost Pool | Activity Measure |
|   Serving a party of diners |      Number of parties served |
|   Serving a diner |      Number of diners served |
|   Serving drinks |      Number of drinks ordered |
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| A group of diners who ask to sit at the same table is counted as a party. Some costs, such as the costs of cleaning linen, are the same whether one person is at a table or the table is full. Other costs, such as washing dishes, depend on the number of diners served. |

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|   Data concerning these activities are shown below. |

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|   | Serving a Party | Serving a Dinner | Serving Drinks | Total |
|   Total cost | $32,800 |   | $211,200 |   | $69,600 |   | $313,600 |
|   Total activity | 8,000 |  parties | 32,000 |  diners  | 58,000 |  drinks |   |
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|    Prior to the activity-based costing study, the owner knew very little about the costs of the restaurant. She knew that the total cost for the month was $313,600 and that 32,000 diners had been served. Therefore, the average cost per diner was $9.80 ($313,600 ÷ 32,000 diners = $9.80per diner). |

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| **Required:** |
| **1.** | Compute the activity rates for each of the three activities. **(Round your answers to 2 decimal places.)** |

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|   | Cost per unit of activity |
|   Serving a Party | $   | per party   |
|   Serving a Diner | $   | per diner   |
|   Serving Drinks | $   | per drink   |
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| **2.** | According to the activity-based costing system, what is the total cost of serving each of the following parties of diners? **(Do not round intermediate calculations. Round your final answers to 2 decimal places.)** |

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| a. | A party of four diners who order three drinks in total. |
| b. | A party of two diners who do not order any drinks. |
| c. | A lone diner who orders two drinks. |

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|   | Total |
|  Party of four diners who order three drinks | $    |
|  Party of two diners who order no drinks | $    |
|  A lone diner who orders two drinks | $    |
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| **3.** | Convert the total costs you computed in part (1) above to costs per diner. In other words, what is the average cost per diner for serving each of the following parties? **(Do not round intermediate calculations. Round your final answers to 2 decimal places.)** |

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| a. | A party of four diners who order three drinks in total. |
| b. | A party of two diners who do not order any drinks. |
| c. | A lone diner who orders two drinks. |

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|   | Average cost |
|  Party of four diners who order three drinks | $    | per diner |
|  Party of two diners who order no drinks | $    | per diner  |
|  Party of one diner who orders two drinks | $   | per diner   |
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