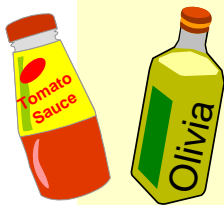


A reworking of product and activity costs and the classification under fixed and variable heads had revealed interesting cost data to the company, as presented below. New manufacturing overhead rates were calculated as well for each of the products, based on processing times.

Costs (\$) – Tomato sauce		Costs (\$) – Olive oil	
Variable costs		Variable costs	
Materials	0.30	Materials	0.50
Labor	0.10	Labor	0.20
Variable manufacturing overhead	0.05	Variable manufacturing overhead	0.10
Variable manufacturing cost	0.45	Variable manufacturing cost	0.80
Variable selling & admin. expenses	0.20	Variable selling & admin. expenses	0.90
Total variable cost per bottle	0.65	Total variable cost per bottle	1.70
Fixed costs		Fixed costs	
Fixed manufacturing overhead		Fixed manufacturing overhead	
9,000 Bottles x \$ 0.15	1,350	6,000 Bottles x \$ 0.35	2,100
Fixed selling & admin. expenses	2,650	Fixed selling & admin. expenses	4,150
Total fixed cost	4,000	Total fixed cost	6,250



Fixed selling and administration expenses (\$)		
	Tomato sauce	Olive oil
Common fixed cost	2,150	2,150
Advertising	500	2,000
Total	2,650	4,150

Common fixed (\$) expenses not traceable to product	
Total cost A	1,100
Total cost B	1,400
Total cost C	1,800
Total	4,300

Fixed selling and administrative costs not traceable to any product.
 = \$ 4,300 ÷ 2 = \$ 2,150 per product.

Expenses (\$) Sales office A		Expenses (\$) Sales office B		Expenses (\$) Sales office C		Expenses (\$) Advertising	
Head	Total	Head	Total	Head	Total	Head	Total
Salaries	1,000	Salaries	1,200	Salaries	1,200	T. sauce	2000
Expenses	100	Expenses	200	Expenses	600	Olive oil	500
Total	1,100	Total	1,400	Total	1,800	Total	2,500

