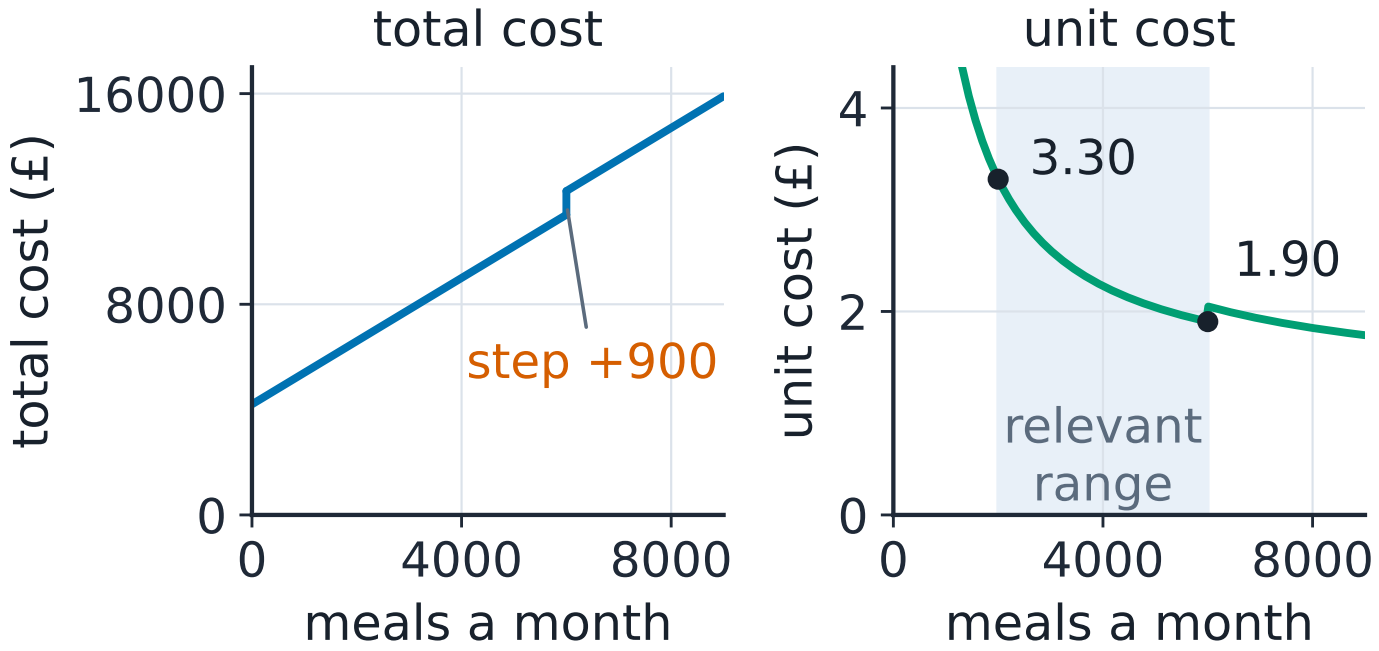
Exercise walk-through

6.1
Cost behaviour

University Business

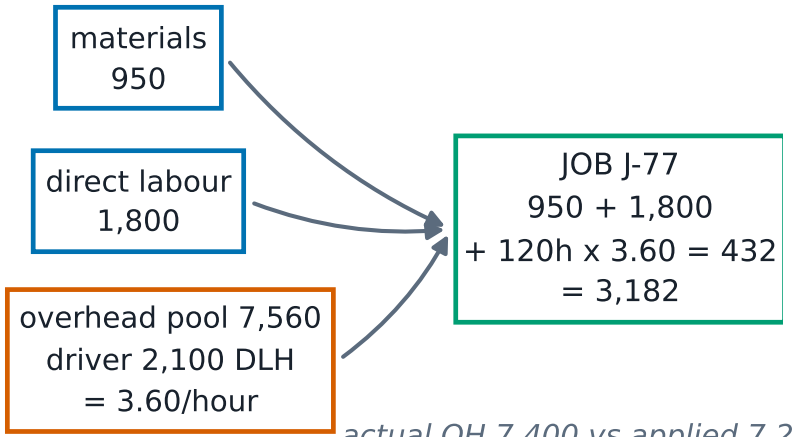
Cost behaviour: date your assumptions



TC = 1.20q + 4,200 with a step at 6,000; unit cost falls with volume.

Costing systems: choose your question

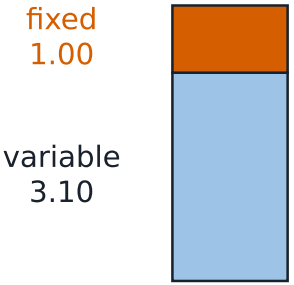
Job J-77: trace, then allocate



actual OH 7,400 vs applied 7,236: under-applied 164

Absorption vs variable

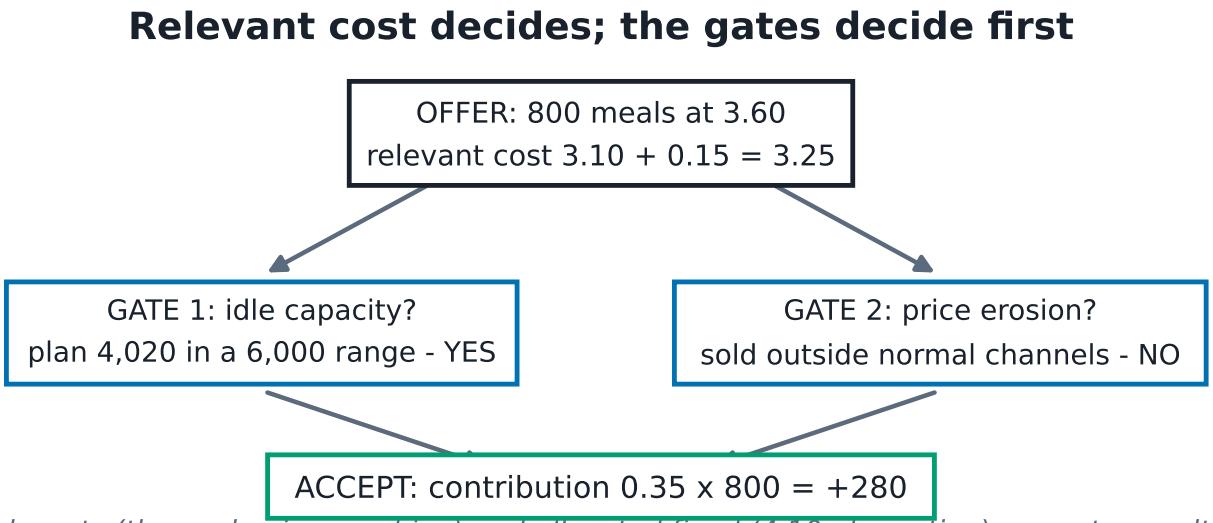
absorption unit 4.10



sell 3,000 of 4,200 made:
absorption 7,200 vs variable 6,000:
1,200 x 1.00 parked

Job J-77 costs 3,182; absorption parks 1,200 of fixed cost in stock.

Relevant costs: only changes get a vote



Pass both gates, then **relevant cost** 3.25 against 3.60 earns +280.

Exercises 2.1·2.2

2.1 Write total cost at 8,000 loaves and at 12,000 loaves. [3]

2.2 Compute unit cost at 8,000 and 12,000, and the marginal cost of one more loaf at 12,000. [3]

Exercises 2.1–2.2

2.1 Write total cost at 8,000 loaves and at 12,000 loaves. [3]

2.1

- $0.50 \times 8{,}000 + 3{,}600 + 2{,}200 = £9{,}800$.
- $0.50 \times 12{,}000 + 3{,}600 + 2{,}200 + 2{,}000 = £13{,}800$.

2.2 Compute unit cost at 8,000 and 12,000, and the marginal cost of one more loaf at 12,000. [3]

2.2

- At 8,000: $9{,}800/8{,}000 = £1.225$.
- At 12,000: $13{,}800/12{,}000 = £1.15$.
- Marginal: £0.50 – the variable rate, never the unit cost.

Exercises 2.3·2.4

2.3 High-low on (4,000, £6,800) and (9,000, £9,300): recover v and F, and state the assumption you checked. [3]

2.4 The manager high-lows across the step using 12,000 loaves. What does the estimate wrongly say, and by how much per loaf? [3]

Exercises 2.3·2.4

2.3 High-low on (4,000, £6,800) and (9,000, £9,300): recover v and F, and state the assumption you checked. [3]

2.3

- $v = (9{,}300 - 6{,}800)/(9{,}000 - 4{,}000) = £0.50$.
- $F = 6{,}800 - 0.50 \times 4{,}000 = £4{,}800$.
- Assumption: both points in ONE relevant range (no step between 4,000 and 9,000 ✓) and roughly linear between.

2.4 The manager high-lows across the step using 12,000 loaves. What does the estimate wrongly say, and by how much per loaf? [3]

2.4

- Slope $= (13{,}800 - 6{,}800)/(12{,}000 - 4{,}000) = £0.875$/loaf.
- It launders the £2,000 step into £0.375 of "variable cost" per loaf.
- Overstates marginal cost by £0.375 and misprices every decision that uses v.

Exercise 2.5

2.5 For each – rent; flour; the second baker; the oven's electricity meter (a standing charge plus per-use) – name the behaviour. [4]

Exercise 2.5

2.5 For each – rent; flour; the second baker; the oven's electricity meter (a standing charge plus per-use) – name the behaviour. [4]

2.5

- Rent: fixed (in range).
- Flour: variable.
- Second baker: step at 10,000.
- Electricity: mixed (standing = fixed, per-use = variable).