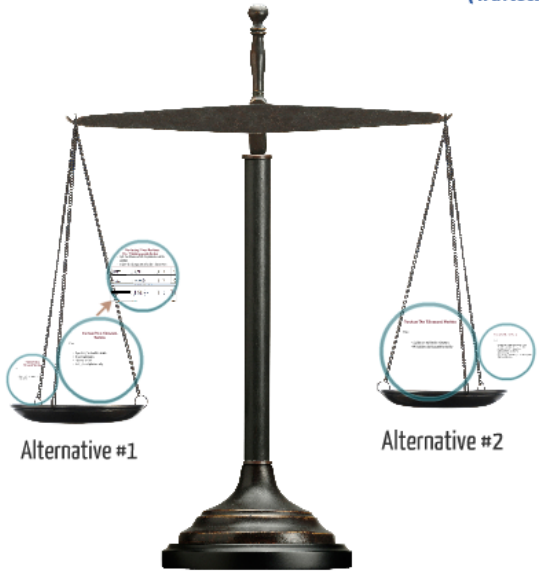


Activity Based Costing

TheCaseSolution.com

by Angie Divietro & Ahmed Alotaibi

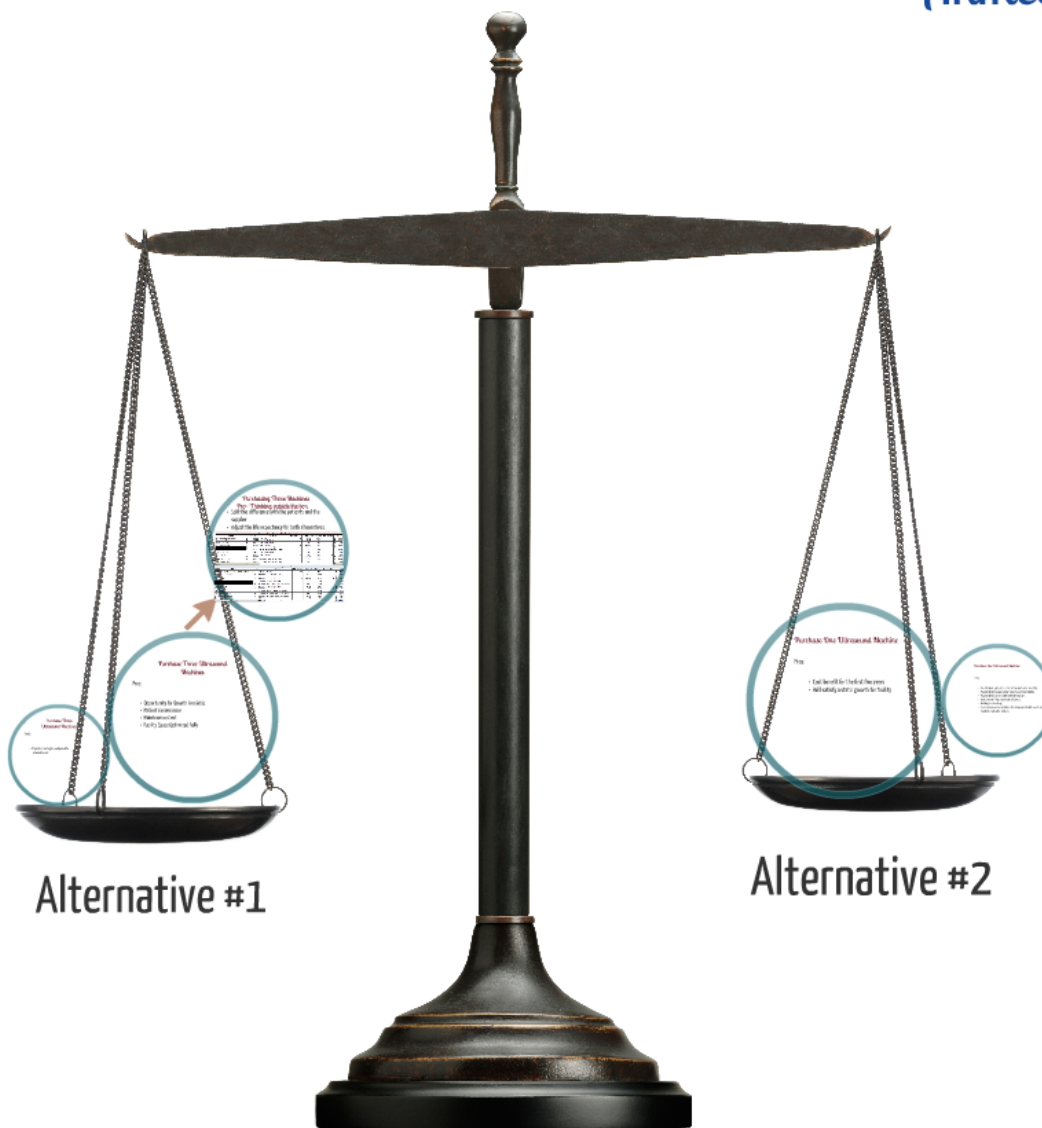




Activity Based Costing

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Alternative #1

Alternative #2

Three Machines Versus....



100,000 to 200,000
100,000 to 200,000
100,000 to 200,000
100,000 to 200,000
100,000 to 200,000

100,000 to 200,000



supplier
for each machine

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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#4: How did you find
brochure accurate for
placement?

Source: [unclear]
[unclear]

'What are some
alternatives?'

'What would you

One for each location

5% discount offered by supplier

\$500 maintenance fee for each machine

.....One Machine



\$40,000 to purchase van and customize van

\$1000 maintenance fee for machine

\$1000 maintenance fee for van

Added technician transportation and setup cost

Both Alternative

*Life expectancy of 5 years
Activity based costing derived from
2400 procedures yearly*

#1: How did you find the base cost for each alternative?