

## Editorial .....

Dear Readers,



Diversion safe is better known as Hidden safe. It refers to the system in which people take some safety measures for the valuable things of the households from being stolen or burglered. It's like hiding your valuable things in a place where a thief will pay less attention while stealing things from your home. As we know the robbers spend less time during any operation, it's the thief against whom the guard can be taken of. Valuables will help you in invaluable times hence it is important to safeguard your valuable holdings

**L. Muralidharan  
& Editorial Team of e-senze**

*Designed by: Mr. G. Natarajan*



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**Chennai  
Class Details  
refer  
Pages: 3 & 4**

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## Activity Based Costing

### Continued from Previous Issue Example

A business has identified that the processing of customer orders consumes large amounts of overhead cost. In its activity-based cost system, order handling is therefore a cost pool activity. The cost driver for the activity is the number of orders processed.

The total costs for the activity are Rs.60,000.

Activity levels in the period were as follows:

| Product | Number of orders | Total number of units ordered |
|---------|------------------|-------------------------------|
| A       | 5                | 5,000                         |
| B       | 12               | 4,000                         |
| C       | 4                | 10,000                        |
| D       | 9                | 21,000                        |
|         | 30               | 40,000                        |

The cost of order processing is Rs.60,000/30 orders = Rs.2,000 per order. Overhead costs will therefore be charged to products as follows:

| Product | Number of orders | Cost   |
|---------|------------------|--------|
|         |                  | Rs.    |
| A       | 5                | 10,000 |
| B       | 12               | 24,000 |
| C       | 4                | 8,000  |
| D       | 9                | 18,000 |
|         | 30               | 60,000 |

Note that, if these overhead costs had been charged on the basis of the number of units ordered, the amount charged to each product would have been substantially different.

### Comparing ABC with traditional absorption costing

It is important to recognise that with ABC, the total amount of overheads charged to products or services can be significantly different from the overhead costs that would be calculated with traditional absorption costing. This point can be illustrated with an example.

#### POINTS TO REMEMBER

**With ABC, the total amount of overheads charged to products or services can be significantly different from the overhead costs that would be calculated with traditional absorption costing.**

### Example

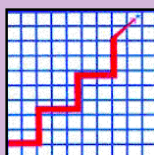
A company manufactures two products, P and Q. Monthly data relating to production and sales are as follows:

|                               | Product P | Product Q |
|-------------------------------|-----------|-----------|
| Direct material cost per unit | Rs.15     | Rs.20     |
| Direct labour hours per unit  | 1 hour    | 2 hours   |
| Direct labour cost per unit   | Rs.20     | Rs.40     |
| Sales demand                  | 100 units | 950 units |

Production overheads are Rs.200,000 each month and are absorbed on a direct labour hour basis.

The management accountant has produced a report on the potential value of activity-based costing as a preferred alternative to the traditional absorption costing system, and has found that there are five main areas of activity that can be said to consume overhead costs. The management accountant has gathered the following monthly information:

*To be continued in next edition*



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**FEES STRUCTURE**

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**CLASS VENUE**

**P.S. High School (North),  
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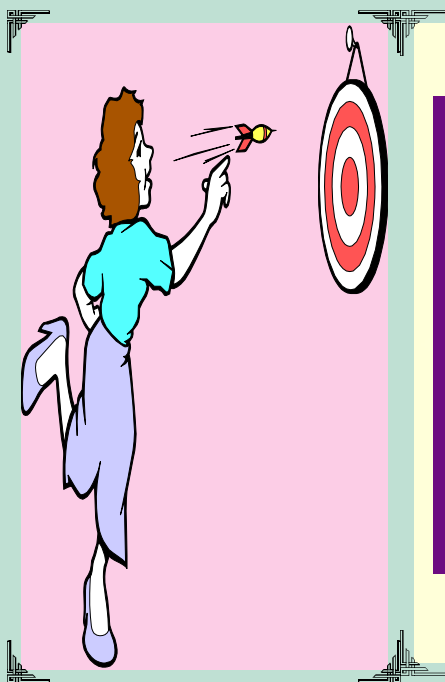
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## Dart Board

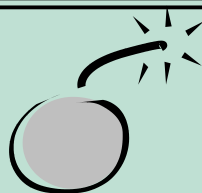


Last weeks Question: Describe briefly: Spooling Software

The purpose of spooling software is to compensate for the speed difference between the computer and its peripheral devices such as input and output devices. It is used in large system and network computing environment.

This Weeks Question: Describe briefly: Index field

Send your queries and suggestions to : [joinsreeram@gmail.com](mailto:joinsreeram@gmail.com)



# J o k e s

Teacher: what do u call a person who cannot hear anything?

Santa: U can call him anything, because he cannot hear anything.

==oo00oo==

Santa standing on the scale, holding his stomach in.

Jeeto: I don't think that is going to help.

Santa: Sure it does. How else could I see the numbers?

==oo00oo==

Angry Santa to his son: Have you ever seen an owl?

Pappu: (Luking down) No...

Santa: Don't look down. Look at me.

==oo00oo==

Santa: I got married because I was tired of cooking, cleaning home and washing clothes.

Banta: Amazing, I got divorce for the same reason.

==oo00oo==

Interviewer: What is skeleton?

Santa: Skeleton is a person who started dieting but forgot to stop it..!!!

==oo00oo==

Laluji is buying a TV. "Do you have colour TVs?"

"Sure." "Give me a green one, please.

==oo00oo==

What does Anjan do after taking photocopies?

He compares it with the original

for spelling mistakes.

==oo00oo==

What does Billa do when he has one white sheet and wants an extra sheet? He makes a photocopy of the white sheet.

==oo00oo==

"Oh, look at the dead bird."

Silly looked skyward and asked, "Where, Where?

==oo00oo==

Banta Singh finished his English exam and came out.

His friends asked him how he had fared. He replied, "Exam was okay, except for the past tense of 'think'. I thought, thought, thought and at last, I wrote 'thunk'!"