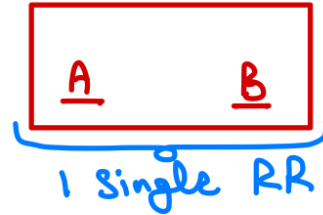


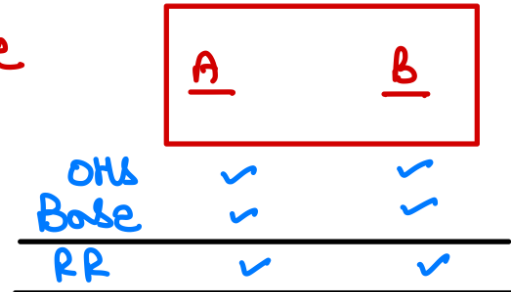
Activity Based Costing

1. Background of ABC

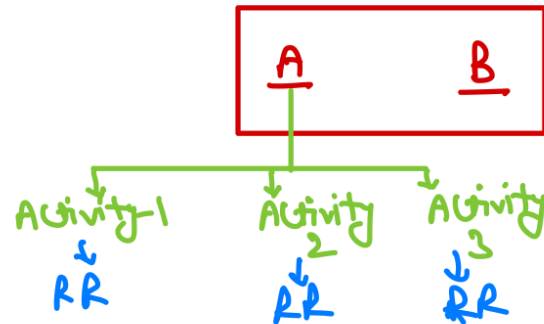
A) Blanket Rate



B) Departmental Rate

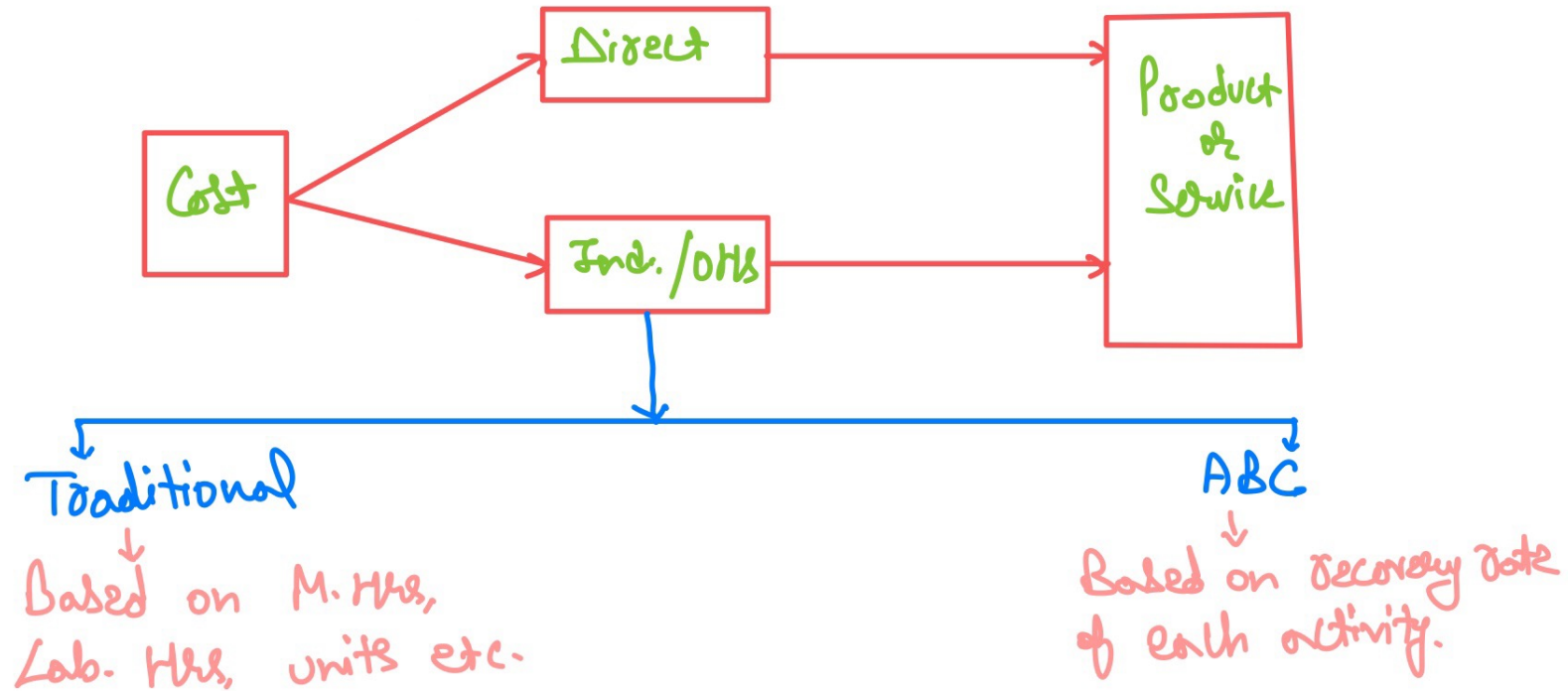


C) Activity Based



Activity Based Costing

2. Traditional System Vs ABC



Activity Based Costing

3. Cost Pool

It is the total cost of an activity.

4. Cost Driver

It is the base due to which cost changes

5. Steps in ABC

(A) Identify different activities

(B) Identify overheads related to activities

(C) Identify cost drivers

(D) Calculate activity cost driver rate (ACDR)

$$\text{ACDR} = \frac{\text{Budgeted Overheads of activity}}{\text{Budgeted Cost Driver}}$$

(E) Recover overheads based on ACDR