

Name:

B-20.08

Date:

Section:

Four of the following statements are patently false. Find the four false statements. The other statements are true. For the false statements, mark the words that make the statement false.

**T** A simplified explanation of ABC is that it attempts to divide production into its core activities, define the costs for those activities, and then allocate those costs to products based on how much of a particular activity is needed to produce a product.

**F** ABC **does not** maintains the traditional division between product and period costs.

ABC charges products with the costs of manufacturing and nonmanufacturing activities, and some manufacturing costs are not attached to products.

Under ABC, idle capacity is typically isolated and allocated to products and services.

ABC is suitable for public reporting.

With ABC, the "cost objects" are broadened to include not only products/services, but other objects like customers, markets, and so on.

The first step in implementing ABC is a detailed study of all business processes and costs.

The normal steps in an ABC implementation are (1) study processes and costs, (2) identify activities, (3) identify traceable costs, (4) assign remaining costs to activities, (5) apply costs to objects, and (6) determine per-activity allocation rates.