

You can present this analysis in any format that you prefer (i.e., white paper, powerpoint, etc.). As you work on your case analysis answering the following questions, make sure that in include the four vital sections to a case analysis: 1) Facts (Introduction/Background), 2) Issues, 3) Analysis, 4) Conclusions.

Within your analysis of the case, make sure you discussion and provide support for the following.

1. (a) Diagram a two-stage cost system to determine the profitability of the various jobs. You will need to choose resource drivers to allocate the cost of resources to cost pools. You will then need to choose cost drivers to allocate the costs in various cost pools to jobs. (b) using this diagram, compute the cost driver rates and calculate the profitability of each job. I expect that you will have and will include reasons to support this analysis. (c) Determine overall profitability for each job.
2. Compare and contrast the full-cost analysis (Q1) with a direct-cost analysis that ignores overhead costs (variable costing). Is full-cost the right metric for profitability analyses?
3. Consider the workflow discussed in the case, can you think of a more efficient flow? Hypothetically what impact would this have on profitability? (Make some assumptions and play around with the numbers. Be reasonable with your assumptions).
4. What are the financial implications of rework and what should be done?
5. Any other suggestions/observations for Colorscope?