

**Demo 4B-1**

The following information is given:

Application Basis	Support Departments		Producing Departments	
	<u>1</u>	<u>2</u>	<u>1</u>	<u>2</u>
Expected use of Support Dept. 1	Sq. Ft. Used	DLHs Used		
Expected use of Support Dept. 2				
Expected Support Costs				
	100 Sq. Ft.	2,000 Sq. Ft.	1,200 Sq. Ft.	
	10 Hours	120 Hours	130 Hours	
	\$15,000	\$40,000		

Support Department 2 provides more support to Support Department 1 than Support Department 1 does to Support Department 2. Determine the amount of support cost allocated to each of the Producing Departments from the Support Departments using (a) the Direct Method, (b) the Step-Down Method, and (c) the Reciprocal Method.

**Demo 4B-2**

The following are selected operating data for the Producing and Support Departments of Bluestone Company for 20x3.

	Support Departments		Producing Departments	
	<u>1</u>	<u>2</u>	<u>1</u>	<u>2</u>
Indirect Material	\$48,400	\$ 82,200	\$254,400	\$ 516,000
Indirect Labor	\$97,200	\$144,000	\$325,840	\$1,439,000
Cubic Yds. of Factory Space	10,000	20,000	88,000	132,000
Machine Hours	20,000	20,000	51,200	204,800

Costs for Support Departments 1 and 2 are allocated to Producing Departments on the basis of cubic yards of factory space and machine hours, respectively. Determine the amount of support cost that is allocated to each of the Producing Departments from the Support Departments using (a) the Direct Method, (b) the Step-Down Method, and (c) the Reciprocal Method.

**Demo 4B-3**

Yolanda Company's annual budget for its Support Departments (Maintenance and Legal) and its two Producing Departments (Assembly and Finishing) is as follows:

	<u>Maintenance</u>	<u>Legal</u>	<u>Assembly</u>	<u>Finishing</u>
Cost	\$1,185	\$840	\$3,760	\$3,600
Sq. Ft.	300	300	800	1,000
M & E hours	15	20	80	75

The basis for allocating each Support Department costs are: (i) Maintenance, M&E hours, and (ii) Legal, floor space. Determine the amount of support cost allocated to each of the Producing Departments from the Support Departments using (a) the Direct Method, (b) the Step-Down Method, and (c) the Reciprocal Method.