

Supplemental Exercise

Chapter 4

Ignatius Co-op, a whole foods grocery and coffee shop, has provided the following data to be used in its service department cost allocations:

	<u>Service Departments</u>		<u>Operating Departments</u>	
	<i>Admini- stration</i>	<i>Building Services</i>	<i>Groceries</i>	<i>Coffee Shop</i>
Departmental costs before allocations	\$200,000	\$60,000	\$3,860,000	\$340,000
Employee-hours	480	320	2,720	160
Space occupied in square feet	800	1,200	9,500	500

Allocate the costs of Administration Department on the basis of employee-hours and the costs of the Building Services Department on the basis of space occupied.

- 1) Using the direct method
- 2) Using the step-down method
- 3) Using the reciprocal method