Chapter 4 Cost allocation example - Reciprocal method

	Personnel	Custodial services	Machining	Assembly	Total
Departmental costs	$ 720,000	$ 180,000	$ 970,000	$ 630,000	$ 2,500,000
Number of employees	20	10	100	50	180
Space occupied (square feet)	9,000	6,000	30,000	70,000	115,000
Cost before allocation	$ 720,000	$ 180,000	$ 970,000	$ 630,000	$ 2,500,000
1st allocation of personnel	$ (720,000)	$ 45,000	$ 450,000	$ 225,000	
	$ -	$ 225,000	$ 1,420,000	$ 855,000	
2nd allocation of custodial	$ 18,578	$ (225,000)	$ 61,927	$ 144,495	
	$ 18,578	$ -	$ 1,481,927	$ 999,495	
3rd allocation of personnel	$ (18,578)	$ 1,161	$ 11,611	$ 5,806	
	$ -	$ 1,161	$ 1,493,538	$ 1,005,301	
4th allocation of custodial	$ 96	$ (1,161)	$ 320	$ 746	
	$ 96	$ -	$ 1,493,857	$ 1,006,047	
5th allocation of personnel	$ (96)	$ 6	$ 60	$ 30	
	$ -	$ 6	$ 1,493,917	$ 1,006,077	
6th allocation of custodial	$ 0	$ (6)	$ 2	$ 4	
Total cost after allocation	0	0	$ 1,493,919	$ 1,006,081	$ 2,500,000