

**ACC3302 Cost Accounting: ACC3302 Cost
Accounting Online Fall 2018**

ACC 3302 Chapter 11

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1. value:
0.12 points

Exercise 11-28 Cost Allocation: Direct Method (LO 11-2)

University Printers has two service departments (Maintenance and Personnel) and two operating departments (Printing and Developing). Management has decided to allocate maintenance costs on the basis of machine-hours in each department and personnel costs on the basis of labor-hours worked by the employees in each.

The following data appear in the company records for the current period:

	Maintenance	Personnel	Printing	Developing
Machine-hours	—	1,000	1,000	3,000
Labor-hours	500	—	500	2,000
Department direct costs	\$ 5,000	\$12,000	\$15,000	\$10,000

Required:

Use the direct method to allocate these service department costs to the operating departments. **(Negative amounts should be indicated by a minus sign. Do not round intermediate calculations.)**

	Maintenance	Personnel	Printing	Developing
Service department costs	\$ 5,000	\$ 12,000	\$ 15,000	\$ 10,000
Maintenance allocation	(5,000)			
Personnel allocation				
Total costs allocated	\$ 0	\$ 12,000	\$ 15,000	\$ 10,000

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Worksheet Exercise 11-28 Cost
Allocation: Direct Method
(LO 11-2)

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2.

value:
0.12 points**Exercise 11-29 Cost Allocation: Step Method (LO 11-3)**

Caro Manufacturing has two production departments, Machining and Assembly, and two service departments, Maintenance and Cafeteria. Direct costs for each department and the proportion of service costs used by the various departments for the month of August follow:

Department	Direct Costs	Proportion of Services Used by			
		Maintenance	Cafeteria	Machining	Assembly
Machining	\$99,000				
Assembly	64,400				
Maintenance	40,000	—	0.2	0.5	0.3
Cafeteria	32,000	0.8	—	0.1	0.1

Required:

Use the step method to allocate the service costs, using the following:

a. The order of allocation starts with Maintenance. (Negative amounts should be indicated by a minus sign. Do not round intermediate calculations.)

From	To			
	Maintenance	Cafeteria	Machining	Assembly
Service department costs				
Maintenance				
Cafeteria				
Total Costs				

b. The allocations are made in the reverse order (starting with Cafeteria). (Negative amounts should be indicated by a minus sign. Do not round intermediate calculations.)

From	To			
	Cafeteria	Maintenance	Machining	Assembly
Service department costs				
Cafeteria				
Maintenance				
Total Costs				

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Exercise 11-29 Cost
Allocation: Step Method (LO
11-3)

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3.

value:
0.12 points

Exercise 11-30 Cost Allocation: Step Method (LO 11-3)

University Printers has two service departments (Maintenance and Personnel) and two operating departments (Printing and Developing). Management has decided to allocate maintenance costs on the basis of machine-hours in each department and personnel costs on the basis of labor-hours worked by the employees in each.

The following data appear in the company records for the current period:

	Maintenance	Personnel	Printing	Developing
Machine-hours	—	1,000	1,000	3,000
Labor-hours	500	—	500	2,000
Department direct costs	\$ 5,000	\$12,000	\$15,000	\$10,000

Required:

Allocate the service department costs using the step method, starting with the Maintenance Department. **(Negative amounts should be indicated by a minus sign. Do not round intermediate calculations.)**

	Maintenance	Personnel	Printing	Developing
Service department costs				
Maintenance				
Personnel				
Total costs allocated				

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Worksheet Exercise 11-30 Cost Allocation: Step Method (LO 11-3)

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4.

value:
0.12 points

Exercise 11-31 Cost Allocation: Reciprocal Method (LO 11-4)

Caro Manufacturing has two production departments, Machining and Assembly, and two service departments, Maintenance and Cafeteria. Direct costs for each department and the proportion of service costs used by the various departments for the month of August follow:

Department	Direct Costs	Proportion of Services Used by			
		Maintenance	Cafeteria	Machining	Assembly
Machining	\$99,000				
Assembly	64,400				
Maintenance	40,000	—	0.2	0.5	0.3
Cafeteria	32,000	0.8	—	0.1	0.1

Required:

Use the reciprocal method to allocate the service costs. (Matrix algebra is not required.) (Negative amounts should be indicated by a minus sign. Do not round intermediate calculations.)

From:	Cost Allocation To:			
	Maintenance	Cafeteria	Machining	Assembly
Service department costs				
Maintenance				
Cafeteria				
Total				

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Worksheet Exercise 11-31 Cost
Allocation: Reciprocal
Method (LO 11-4)

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5.

value:
0.12 points

Exercise 11-37 Net Realizable Value Method (LO 11-7)

Euclid Corporation processes a patented chemical, P-1, and produces two outputs, P-11 and P-12. In August, the costs to process P-1 are \$165,000 for materials and \$280,000 for conversion costs. P-11 has a sales value of \$712,000 and P-12 has a sales value of \$178,000.

Required

Using the net realizable value method, assign costs to P-11 and P-12 for August. **(Do not round intermediate calculations.)**

	Cost Assigned
P-11	
P-12	

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Exercise 11-37 Net
Realizable Value Method
(LO 11-7)

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6.

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Exercise 11-38 Estimated Net Realizable Value Method (LO 11-7)

Blasto, Inc., operates several mines. At one, a typical batch of ore run through the plant yields three products: lead, copper, and manganese. At the split-off point, the intermediate products cannot be sold without further processing. The lead from a typical batch sells for \$40,000 after incurring additional processing costs of \$12,000. The copper is sold for \$80,000 after additional processing costs of \$10,000, and the manganese yield sells for \$60,000 but requires additional processing costs of \$18,000. The joint costs of processing the raw ore, including the cost of mining, are \$100,000 per batch.

Required:

Use the estimated net realizable value method to allocate the joint processing costs.

	Lead		Copper		Manganese	
Approximate sales value at split-off						
Percent of total sales values at split-off		%		%		%
Cost allocation						

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Exercise 11-38 Estimated
Net Realizable Value Method
(LO 11-7)

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7. value:
0.12 points

Exercise 11-45 Physical Quantities Method (LO 11-8)

The following questions relate to Kyle Company, which manufactures products KA, KB, and KC from a joint process. Joint product costs were \$192,000. Additional information follows:

Product	Units Produced	Sales Value at Split-Off	If Processed Further	
			Sales Values	Additional Costs
KA	84,000	\$ 272,000	\$ 340,000	\$50,000
KB	58,800	238,000	280,000	41,000
KC	25,200	170,000	230,000	35,000

Required:

a. Assuming that joint product costs are allocated using the physical quantities (units produced) method, what was the total cost of product KA (including \$50,000 if processed further)? **(Do not round your intermediate calculations.)**

Total cost of product KA

b. Assuming that joint product costs are allocated using the sales value at split-off (net realizable value method), what was the total cost of product KB (including the \$41,000 if processed further)? **(Do not round your intermediate calculations.)**

Total cost of product KB

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Exercise 11-45 Physical
Quantities Method (LO 11-8)

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8.

value:
0.16 points**Problem 11-49 Comparison of Allocation Methods (LO 11-2, 3, 4)**

BluStar Company has two service departments, Administration and Accounting, and two operating departments, Domestic and International. Administration costs are allocated on the basis of employees, and Accounting costs are allocated on the basis of number of transactions. A summary of BluStar operations follows:

	Administration	Accounting	Domestic	International
Employees	—	28	47	25
Transactions	39,000	—	25,000	100,000
Department direct costs	\$353,000	\$141,000	\$ 945,000	\$3,780,000

Required:

a. Allocate the cost of the service departments to the operating departments using the direct method. (Do not round intermediate calculations. Negative amounts should be indicated by a minus sign.)

From	To			
	Administration	Accounting	Domestic	International
Department costs				
Administration allocation				
Accounting allocation				
Totals				

b. Allocate the cost of the service departments to the operating departments using the step method. Start with Administration. (Do not round intermediate calculations. Negative amounts should be indicated by a minus sign.)

From	To			
	Administration	Accounting	Domestic	International
Department costs				
Administration allocation				
Accounting allocation				
Total cost allocated				

c. Allocate the cost of the service departments to the operating departments using the reciprocal method. (Do not round intermediate calculations. Negative amounts should be indicated by a minus sign.)

From	To			
	Administration	Accounting	Domestic	International
Department costs				
Administration allocation				
Accounting allocation				
Total cost allocated				

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1. value:
50.00 points

Problem 11-49 Comparison of Allocation Methods (LO 11-2, 3, 4)

BluStar Company has two service departments, Administration and Accounting, and two operating departments, Domestic and International. Administration costs are allocated on the basis of employees, and Accounting costs are allocated on the basis of number of transactions. A summary of BluStar operations follows:

	Administration	Accounting	Domestic	International
Employees	—	25	45	30
Transactions	32,000	—	25,000	100,000
Department direct costs	\$352,000	\$144,000	\$ 955,000	\$3,710,000

Required:

a. Allocate the cost of the service departments to the operating departments using the direct method. (Do not round intermediate calculations. Negative amounts should be indicated by a minus sign.)

	To			
From	Administration	Accounting	Domestic	International
Department costs				
Administration allocation				
Accounting allocation				
Totals				

b. Allocate the cost of the service departments to the operating departments using the step method. Start with Administration. (Do not round intermediate calculations. Negative amounts should be indicated by a minus sign.)

	To			
From	Administration	Accounting	Domestic	International
Department costs				
Administration allocation				
Accounting allocation				
Total cost allocated				

c. Allocate the cost of the service departments to the operating departments using the reciprocal method. (Do not round intermediate calculations. Negative amounts should be indicated by a minus sign.)

	To			
From	Administration	Accounting	Domestic	International
Department costs				
Administration allocation				
Accounting allocation				
Total cost allocated				

Bhagavad Gita

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2.

value:
50.00 points

Problem 11-68 Joint Cost Allocation and Product Profitability (LO 11-7, 8, 9)

Prescott Lumber processes logs into grade A and grade B lumber. Logs cost \$18,800 per load. The milling process produces 5,000 units of grade A with a market value of \$78,400, and 15,000 units of grade B with a market value of \$11,200. The cost of the milling process is \$14,000 per load.

Required:

a. If the costs of the logs and the milling process are allocated on the basis of units of output, what cost will be assigned to each product? **(Do not round intermediate calculations.)**

	Cost Allocation
Grade A	
Grade B	

b. If the costs of the logs and the milling process are allocated on the basis of the net realizable value, what cost will be assigned to each product? **(Do not round intermediate calculations.)**

	Cost Allocation
Grade A	
Grade B	

c-1. How much profit or loss does the grade B lumber provide using the data in this problem and your analysis in requirement (a)? **(Do not round intermediate calculations.)**

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c-2. Is it really possible to determine which product is more profitable?

- ☐ Yes
☐ No

References

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Problem 11-68 Joint Cost
Allocation and Product
Profitability (LO 11-7, 8, 9)

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