

Section 6 – direct method

1. Hanung Corp has two service departments, **Maintenance** and **Personnel**. **Maintenance** Department costs of \$360,000 are allocated on the basis of **budgeted maintenance-hours**. **Personnel** Department costs of \$110,000 are allocated based on the number of **employees**. The costs of operating departments A and B are \$188,000 and \$282,000, respectively. Data on budgeted maintenance-hours and number of employees are as follows:

	Support Departments		Production Departments		
	Maintenance Department	Personnel Department	A	B	
Budgeted costs	\$360,000	\$110,000	\$188,000	\$282,000	
Budgeted maintenance-hours	NA	880	1230	680	
Number of employees	60	NA	290	630	

Using the direct method, what amount of Maintenance Department costs will be allocated to Department B? (Do not round any intermediary calculations.)

- A) \$100,398
- B) \$128,168
- C) \$87,742
- D) \$167,330

Answer: B

Explanation: Maintenance Department costs allocated to Department B = $680 / (680 + 1230) \times \$360,000 = \$128,168$

2) Hanung Corp has two service departments, Maintenance and Personnel. Maintenance Department costs of \$300,000 are allocated on the basis of budgeted maintenance-hours. Personnel Department costs of \$170,000 are allocated based on the number of employees. The costs of operating departments A and B are \$188,000 and \$282,000, respectively. Data on budgeted maintenance-hours and number of employees are as follows:

	Support Departments		Production Departments	
	Maintenance Department	Personnel Department	A	B
Budgeted costs	\$300,000	\$170,000	\$188,000	\$282,000
Budgeted maintenance-hours	NA	860	1280	600
Number of employees	100	NA	250	600

Using the direct method, what amount of Personnel Department costs will be allocated to Department B? (Do not round any intermediary calculations.)

- A) \$44,737
- B) \$50,000
- C) \$107,368
- D) \$120,000

Answer: D

Explanation: Personnel Department costs allocated to Department B = $600 / (250 + 600) \times \$170,000 = \$120,000$.

4) Hanung Corp has two service departments, Maintenance and Personnel. Maintenance Department costs of \$310,000 are allocated on the basis of budgeted maintenance-hours. Personnel Department costs of \$190,000 are allocated based on the number of employees. The costs of operating departments A and B are \$200,000 and \$300,000, respectively. Data on budgeted maintenance-hours and number of employees are as follows:

	Support Departments		Production Departments	
	Maintenance Department	Personnel Department	A	B
Budgeted costs	\$310,000	\$190,000	\$200,000	\$300,000
Budgeted maintenance-hours	NA	810	1270	630
Number of employees	65	NA	280	630

Using the direct method, what amount of Maintenance Department costs will be allocated to Department A? (Do not round any intermediary calculations.)

- A) \$145,277
- B) \$334,211
- C) \$133,684
- D) \$207,211

Answer: D

Explanation: Maintenance Department costs allocated to Department A = $1270 / (630 + 1270) \times \$310,000 =$

\$207,211

5) Hanung Corp has two service departments, Maintenance and Personnel. Maintenance Department costs of \$400,000 are allocated on the basis of budgeted maintenance-hours. Personnel Department costs of \$200,000 are allocated based on the number of employees. The costs of operating departments A and B are \$240,000 and \$360,000, respectively. Data on budgeted maintenance-hours and number of employees are as follows:

	Support Departments		Production Departments	
	Maintenance Department	Personnel Department	A	B
Budgeted costs	\$400,000	\$200,000	\$240,000	\$360,000
Budgeted maintenance-hours	NA	820	1240	640
Number of employees	100	NA	250	600

Using the direct method, what amount of Personnel Department costs will be allocated to Department A? (Do not round any intermediary calculations.)

- A) \$58,824
- B) \$52,632
- C) \$70,588
- D) \$141,176

Answer: A

Explanation: Personnel Department costs allocated to Department A = $250 / (250 + 600) \times \$200,000 = \$58,824$