

PROBLEMS

All applicable Problems are available with McGraw-Hill's *Connect Accounting*.

Problem 12-14 *Cost accumulation and allocation*

Singh Manufacturing Company makes two different products, M and N. The company's two departments are named after the products; for example, Product M is made in Department M. Singh's accountant has identified the following annual costs associated with these two products.

 connect
ACCOUNTING

LO 1, 2, 3, 4, 5

 eXcel

CHECK FIGURE

c. Price for N: \$493.68

Financial data

Salary of vice president of production division	\$180,000
Salary of supervisor Department M	76,000
Salary of supervisor Department N	56,000
Direct materials cost Department M	300,000
Direct materials cost Department N	420,000
Direct labor cost Department M	240,000
Direct labor cost Department N	680,000
Direct utilities cost Department M	120,000
Direct utilities cost Department N	24,000
General factorywide utilities	36,000
Production supplies	36,000
Fringe benefits	138,000
Depreciation	720,000

Nonfinancial data

Machine hours Department M	5,000
Machine hours Department N	1,000

Required

- Identify the costs that are (1) direct costs of Department M, (2) direct costs of Department N, and (3) indirect costs.
- Select the appropriate cost drivers for the indirect costs and allocate these costs to Departments M and N.
- Determine the total estimated cost of the products made in Departments M and N. Assume that Singh produced 2,000 units of Product M and 4,000 units of Product N during the year. If Singh prices its products at cost plus 40 percent of cost, what price per unit must it charge for Product M and for Product N?

Problem 12-15 *Selecting an appropriate cost driver (What is the base?)*

LO 1, 3, 4

The Vest School of Vocational Technology has organized the school training programs into three departments. Each department provides training in a different area as follows: nursing assistant, dental hygiene, and office technology. The school's owner, Wilma Vest, wants to know how much it costs to operate each of the three departments. To accumulate the total cost for each department, the accountant has identified several indirect costs that must be allocated to each. These costs are \$10,080 of telephone expense, \$2,016 of supplies expense, \$720,000 of office rent, \$144,000 of janitorial services, and \$150,000 of salary paid to the dean of students. To provide a reasonably accurate allocation of costs, the accountant has identified several possible cost drivers. These drivers and their association with each department follow.

Cost Driver	Department 1	Department 2	Department 3
Number of telephones	28	32	52
Number of faculty members	20	16	12
Square footage of office space	28,800	16,800	12,000
Number of secretaries	2	2	2