

ABC Company has two selling departments (Furniture and Appliances) and two service departments (Purchasing and Accounting). The following Sales and Cost of Goods Sold information is available for the current year end December 31, 2000:

	Furniture	Appliances
Sales	180,000	420,000
Cost of Goods Sold	108,000	252,000

The Direct Expenses by department for the year were as follows:

	Salaries	Supplies	Amortization
Accounting	18,750	600	1,200
Purchasing	15,000	1,150	1,200
Furniture	60,000	675	600
Appliances	52,500	525	3,000

The Indirect Expenses for the year were as follows:

Rent	5,500
Advertising	4,500
Insurance	1,500
Janitorial	6,000

The Indirect Expenses are allocated to each department under the following conditions:

Rent: Allocated first between the Selling and Service departments with \$500 charged to the Service Departments (allocated to each based on floor space) and the rest to the Selling departments (allocated to each based on floor space). The floor space is as follows:

Accounting	280 square metres
Purchasing	280 square metres
Furniture	840 square metres
Appliances	1,400 square metres

Advertising: Allocated based on sales.

Insurance: Allocated based on Amortization Expense

Janitorial: Allocated based on Floor Space

Allocate the Accounting Department total expenses based on Sales and the Purchasing Department total expenses based on Cost of Goods Sold and then prepare a Departmental Statement of Earnings Worksheet for ABC Company rounding all numbers to the nearest dollar.

Working Paper:

Rent Service	Floor Space	Portion of Total	Rent
Accounting			
Purchasing			
Total			

Rent Selling	Floor Space	Portion of Total	Rent
Furniture			
Appliances			
Total			

Advertising	Sales	Portion of Total	Advertising
Furniture			
Appliances			
Total			

Insurance	Amortization	Portion of Total	Insurance
Accounting			
Purchasing			
Furniture			
Appliances			
Total			

Janitorial	Floor Space	Portion of Total	Janitorial
Accounting			
Purchasing			
Furniture			
Appliances			
Total			

Accounting Dept.	Sales	Portion of Total	Total
Furniture			
Appliances			
Total			

Purchasing Dept.	Cost of Goods Sold	Portion of Total	Total
Furniture			
Appliances			
Total			

ABC Company
Departmental Statement of Earnings Worksheet
December 31, 2000

	Allocation Base	Acct. Dept.	Purch. Dept.	Furn. Dept.	App. Dept.	Total
Sales						
Cost of Goods Sold						
Gross Profit						
Direct Expenses:						
Salaries						
Supplies						
Amortization						
Indirect Expenses:						
Rent						
Advertising						
Insurance						
Janitorial						
Total Direct and Indirect Expenses						
Acct. Dept.						
Purch. Dept.						
Total Expenses after Service Dept Allocation						
Departmental Net Income before Income Taxes						

Answer:

Rent Service	Floor Space	Portion of Total	Rent
Accounting	280	50%	250
Purchasing	280	50%	250
Total	560	100%	500

Rent Selling	Floor Space	Portion of Total	Rent
Furniture	840	37.5%	1,875
Appliances	1,400	62.5%	3,125
Total	2,240	100%	5,000

Advertising	Sales	Portion of Total	Advertising
Furniture	180,000	30%	1,350
Appliances	420,000	70%	3,150
Total	600,000	100%	4,500

Insurance	Amortization	Portion of Total	Insurance
Accounting	1,200	20%	300
Purchasing	1,200	20%	300
Furniture	600	10%	150
Appliances	3,000	50%	750
Total	6,000	100%	1,500

Janitorial	Floor Space	Portion of Total	Janitorial
Accounting	280	10%	600
Purchasing	280	10%	600
Furniture	840	30%	1,800
Appliances	1,400	50%	3,000
Total	2,800	100%	6,000

Accounting Dept.	Sales	Portion of Total	Total
Furniture	180,000	30%	6,510
Appliances	420,000	70%	15,190
Total	600,000	100%	21,700

Purchasing Dept.	Cost of Goods Sold	Portion of Total	Total
Furniture	108,000	30%	5,550
Appliances	252,000	70%	12,950
Total	360,000	100%	18,500

ABC Company
Departmental Statement of Earnings Worksheet
December 31, 2000

	Allocation Base	Acct. Dept.	Purch. Dept.	Furn. Dept.	App. Dept.	Total
Sales				180,000	420,000	600,000
Cost of Goods Sold				108,000	252,000	360,000
Gross Profit				72,000	168,000	240,000
Direct Expenses:						
Salaries		18,750	15,000	60,000	52,500	146,250
Supplies		600	1,150	675	525	2,950
Amortization		1,200	1,200	600	3,000	6,000
Indirect Expenses:						
Rent	Floor Space	250	250	1,875	3,125	5,500
Advertising	Sales			1,350	3,150	4,500
Insurance	Amortization Expense	300	300	150	750	1,500
Janitorial	Floor Space	600	600	1,800	3,000	6,000
Total Direct and Indirect Expenses		21,700	18,500	66,450	66,050	172,700
Acct. Dept.	Sales	-21,700		6,510	15,190	
Purch. Dept.	Cost of Goods Sold		-18,500	5,550	12,950	
Total Expenses after Service Dept Allocation		0	0	78,510	94,190	
Departmental Net Income before Income Taxes				-6,510	73,810	67,300