A2 Company has two service departments (General Factory and Repair) and two operating departments (Fabrication and Assembly). Management has decided to allocate repair costs on the basis of the area (square feet) in each department and to allocate General Factory on the basis of labor hours worked by the employees in each of their respective departments.

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Gen. Fact** | **Repair** | **Fabric** | **Assembly** |
| Square Feet | 2,000 | 500 | 8,000 | 12,000 |
| Labor Hours | 1,000 | 3,500 | 21,000 | 10,500 |
| Machine Hours |  |  | 10,000 | 12,000 |
| Direct Labor | $10,000 | $40,000 | $90,000 | $75,000 |
| Service Cost Center: |  |  |  |  |
| Other Costs | $4,000 | $2,000 | $80,000 | $50,000 |

The company allocates the costs from the General Factory Department first.

1. Using the step method, what is the total amount of costs allocated to (a) the Fabrication Department and (b) the Assembly Department?

2. Using the direct method, what is the total amount of costs allocated to (a) the Fabrication Department and (b) the Assembly Department?

3. Using direct labor hours as the base and the direct method of allocation, what is the overhead rate for the Assembly Department?