



## cost accounting

Accounting (University of Iloilo - PHINMA)



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**3<sup>rd</sup> GRADING PERIOD**

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**Materials:**  
**Writing materials & calculator**

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**GENERAL DIRECTIONS**

READ THIS PAGE BEFORE STARTING THE ASSESSMENT

This is a 12 paged test and is composed of **3 sections** and has a total score of **eighty (80) points**. You have sixty (60) Minutes to finish this test. The breakdown of the exam is as follows:

**(1) Classification Section.** Classify the listed items according to what is being asked. This section is composed of 20 items and is rated as 1 point each.

**(2) Multiple-Choice Question Section.** The questions in this section are with four answer choices. The test is composed of 40 questions and is rated as 1 point each.

**(3) Problem Solving Section.** The questions in this section require computation and your answers must be written in the space provided. This section is composed of 10 items and is rated as 2 point each.

All things unnecessary for the test must be put in front of the testing area. Use **BLACK** or **BLUE** ink ballpen only. Write all your answers on the designated answer sheet. Further, erasures are strictly **NOT** allowed and will invalidate your answers.

You may **NOT** use smart phones or reference materials during the testing session. Only the allowed calculators should be used.

Try to answer all questions. In general, if you have some knowledge about a question, it is better to try to answer it. You will not be penalized for guessing.

Be sure to allocate your time carefully so you can complete the entire test within the exam session. You may go back and review your answers at any time during the exam session.

Those who are caught cheating or doing acts not allowed during the exam shall be instructed to surrender their test papers and shall leave the testing room immediately. Subsequently, their papers shall be rated as **ZERO**.

This concludes the instruction page.

You may now begin answering.

**LEARNING OBJECTIVE:**

This assessment measures the competence of the student in terms of his/her application of knowledge and skills in the following topics:

1. Cost Accounting System
2. Job-Order System
3. Process Costing
4. Backflush Costing System
5. Service Cost Allocation
6. Joint and By-products



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**I. Classification:**

A. Classify each of the following departments as either the "Producing" or "Support" department.

- \_\_\_\_\_ 1. Painting
- \_\_\_\_\_ 2. Cafeteria
- \_\_\_\_\_ 3. Grinding
- \_\_\_\_\_ 4. Baking
- \_\_\_\_\_ 5. Administration
- \_\_\_\_\_ 6. Accounting
- \_\_\_\_\_ 7. Molding
- \_\_\_\_\_ 8. Printing
- \_\_\_\_\_ 9. Blending
- \_\_\_\_\_ 10. Information Security
- \_\_\_\_\_ 11. Facility Management
- \_\_\_\_\_ 12. Fabrication
- \_\_\_\_\_ 13. Monitoring
- \_\_\_\_\_ 14. Engineering
- \_\_\_\_\_ 15. Binding

B. Categorize each of the activities as either "Value-added" or "Non-Value-Added" for the companies noted:

- \_\_\_\_\_ 1. Microsoft: Developing computer coding for a new spreadsheet package
- \_\_\_\_\_ 2. Mayo Clinic: Examining a new patient
- \_\_\_\_\_ 3. American Airlines: The 90 minutes that a Boeing 757 sits idle on the ground between flights
- \_\_\_\_\_ 4. Rolex: Attaching a watch band to the watch's face
- \_\_\_\_\_ 5. Fidelity Investments: Correcting errors made by company personnel in customer accounts

**II. Multiple Choice Questions:** Encircle the letter of the correct answer.

- 1. In backflush costing with no finished goods account, the journal entry to record finished goods sold includes a credit to
  - a. Raw Materials Inventory
  - b. No Entry
  - c. Raw In Process Inventory
  - d. Cost of Goods Sold
- 2. One of the requirements for a JIT system to be successful is:
  - a. Cyclical production.
  - b. Coupling it with job order costing
  - c. Adequate inventory stock
  - d. High quality and balanced workloads.
- 3. The continuing reduction of inventories is achieved by all of the following steps except:
  - a. Inventories are reduced until a problem is discovered



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- b. Once the problem is defined the inventory level is increased to keep the system operating smoothly
  - c. Once the problem is removed, the inventory level is increased until another a problem is discovered.
  - d. The problem is analyzed and practical ways are identified to reduce it
4. The costs to be offset against the savings from lower work in process levels in a JIT system include all of the following, except:
  - a. handling a larger number of small batches of work in process
  - b. the higher probability of shutdowns due to the smaller safety stock
  - c. the possibility that setup costs cannot be reduced enough to offset the larger number of setups
  - d. the possibility of customer dissatisfaction due to slower response time to orders.
5. The cost allocation policy most likely to encourage use of a service is based on
  - a. budgeted total costs of the service department
  - b. actual total costs of the service department
  - c. budgeted variable costs for the service department
  - d. actual variable costs for the service department
6. Consider the following statements about joint product cost allocation:
  - I. Joint product cost is allocated because it is necessary for inventory valuation.
  - II. Joint cost may be allocated to products by using several different methods.
  - III. Joint product cost is allocated because it is necessary for making economic decisions about individual products (e.g., sell at split-off or process further).

Which of the above statements is (are) correct?

- a. I, II and III.
  - b. III only.
  - c. I and II.
  - d. I and III.
7. Which of the following is often subject to further processing in order to be salable?

|        | By-products | Scrap |
|--------|-------------|-------|
| a. No  | No          | No    |
| b. No  | No          | Yes   |
| c. Yes | Yes         | Yes   |
| d. Yes | Yes         | No    |
8. When allocating joint costs, Wolstein calculates the final sales value of the various products manufactured and subtracts appropriate separable costs. The company is using the:
  - a. Gross Margin at Split-off Method.
  - b. Reciprocal-Accounting Method.
  - c. Hypothetical Market Value Approach
  - d. Relative-Sales-Value Method.
9. When a company adopts a just-in-time inventory system, it would expect:
  - a. higher inventories and less frequent purchases.



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- b. higher inventories and more frequent purchases.
- c. lower inventories and less frequent purchases.
- d. lower inventories and more frequent purchases.

10. The characteristic that is most often used to distinguish a product as either a joint product or a by-product is the:

- a. amount of labor used in processing the product
- b. amount of separable product costs that are incurred in processing
- c. relative sales value of the products produced in the process.
- d. amount (i.e., weight, inches, etc.) of the product produced in the manufacturing process

11. Consider the following statements about characteristics of Just in Time:

- I. Good Communication.
- II. Demand Forecast
- III. Less Waste
- IV. Actual Demand
- V. More supplies.
- VI. Small Inventories
- VII. Production Precision
- VIII. Large Lots.

Which of the above statements is (are) correct characteristics of JIT?

- a. I, II, III, IV, V, VI, VII
- b. I, III, IV, VI, VII
- c. I, II, III, V, VI, VII, VIII.
- d. I, III, IV, V, VI, VII, VIII

12. For purposes of allocating joint costs to joint products, the relative sales value at split-off method could be used in which of the following situations?

- |        | <u>No Costs Beyond Split-off</u> | <u>Costs beyond Split-off</u> |
|--------|----------------------------------|-------------------------------|
| a. Yes |                                  | Yes                           |
| b. Yes |                                  | No                            |
| c. No  |                                  | Yes                           |
| d. No  |                                  | No                            |

13. Joint costs are used for

- a. Controlling costs
- b. Setting the selling price of a product
- c. Determining whether to continue producing an item
- d. Determining inventory cost for accounting purposes

14. The following statement that best describes a by-product is:

- a. a product that has a lower unit selling price than the main product
- b. a product that has relatively minor sales value.
- c. a product that does not bear any portion of the joint processing costs
- d. a product that is produced from material that would otherwise be scrap

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15. A company produces three main joint products and one by-product. The by-product's relative market value is quite low compared to that of the main products. The preferable accounting for the by-product's net realizable value is as:
- an addition to the revenues of the other products allocated on their respective net realizable values
  - written-off.
  - a reduction in the joint cost to be allocated to the three main products.**
  - a separate net realizable value upon which to allocate some of the joint costs and reduction to the separable costs.
16. Reporting revenue from by-product sales on the income statement as additional sales revenue:
- reduces the Cost of Goods Sold the net realizable value of the by-product.
  - reduces the main product cost by the estimated market value of the by-product
  - overstated ending inventory costs of the main product.**
  - credits main product costs only when the by-product is used in further production
17. By-products are
- allocated a portion of joint production cost
  - also known as scrap, waste and no value
  - secondary product recovered in the course of manufacturing a primary product.**
  - not sufficient alone, in terms of sales value, for management to justify undertaking the joint process.
18. Which of the following statements about joint-cost allocation is false?
- Joint-cost allocation is useful in deciding whether to further process a product after split-off.**
  - Joint-cost allocation is useful in making a profit determination about individual joint products.
  - Joint-cost allocation is helpful in inventory valuation.
  - Joint-cost allocation can be based on the number of units produced.
19. Eastside Hospital has two service departments (Patient Records and Accounting) and two "production" departments (Internal Medicine and Surgery). Which of the following allocations would likely take place under the reciprocal-services method of cost allocation?
- Allocation of Accounting cost to Patient Records.
  - Allocation of Patient Records cost to Internal Medicine. .
  - Allocations "A" and "B" above.**
  - None of the following.
20. In backflush costing, if the conversion cost in Raw and In Process was P1,000 on January 1 and P400 on January, the account to be credited for the decrease amount would be:
- Finished Goods
  - Raw Materials
  - Cost of Goods Sold
  - Raw and In Process.**
21. Westside Hospital has two service departments (Patient Records and Accounting) and two "production" departments (Internal Medicine and Surgery). Which of the following allocations would not take place under the reciprocal-services method of cost allocation?

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- a. Allocation of Accounting cost to Patient Records.
  - b. Allocation of Patient Records cost to Internal Medicine.
  - c. Allocation of Internal Medicine cost to Surgery.
  - d. Allocations "A" and "B" above.
22. Does Backflush costing comply with the GAAP?
- a. Not, but it can be used for external reporting purposes
  - b. No and cannot be used for external reporting.
  - c. Yes, but with certain limitations.
  - d. Yes because it simplifies the production process.
23. A department that would be classified as support department is:
- a. Production Control
  - b. Packaging
  - c. Icing
  - d. Finishing
24. A department that would be classified as a producing department is
- a. Utilities
  - b. Filling
  - c. Purchasing
  - d. Medical
25. Ideally, the number of units that should be produced in a just-in-time manufacturing system is equal to
- a. the maximum productive capacity for the current period.
  - b. actual customer demand for the current period.
  - c. budgeted customer demand for the current period.
  - d. budgeted customer demand for the following period
26. All of the following are obstacles to JIT purchasing, except:
- a. the layout of the production process
  - b. the frequency of schedule changes
  - c. the attitudes of purchasing agents and suppliers
  - d. all of the above are obstacles
27. The costs to be offset against the savings from lower work in process levels in a JIT system include all of the following, except:
- a. handling a larger number of small batches of work in process
  - b. the higher probability of shutdowns due to the smaller safety stock
  - c. the possibility of customer dissatisfaction due to slower response time to orders.
  - d. the possibility that setup costs cannot be reduced enough to offset the larger number of setups
28. Small Computer Company has the following personnel:
- I. Two inspectors: inspect the final computers
  - II. Four fabricators: make the computer cases
  - III. Two computer programmers: run all of the bookkeeping for the accounting records
  - IV. Seven assemblers: manufacture the mother boards

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V. One owner: writes the paychecks

Which groups of employees are value-added workers?

- a. I and II
- b. II and III
- c. III and V
- d. II and IV

29. A just-in-time manufacturing process should have substantially less of which of the following than a traditional manufacturing process?

|                  | A.  | B.  | C.  | D.  |
|------------------|-----|-----|-----|-----|
| Idle Time        | Yes | Yes | Yes | No  |
| Value-added Time | Yes | No  | No  | No  |
| Cycle Time       | Yes | Yes | Yes | No  |
| Transfer Time    | Yes | No  | Yes | Yes |

30. In the pull method of coordinating a production process:

- a. departments early in the production process continually make components in order to ensure that later departments do not run out.
- b. defective products are "pulled" off the line and sent to a special department for rework.
- c. work-in-process inventories are increased throughout the plant.
- d. nothing is manufactured at a work center until a need is signaled from a subsequent process.

31. A major purpose of cost accounting is to

- a. classify all costs as operating or nonoperating.
- b. measure, record, and report period costs.
- c. provide information to stockholders for investment decisions.
- d. measure, record, and report product costs.

32. Process costing is used when

- a. the production process is continuous.
- b. production is aimed at filling a specific customer order.
- c. heterogeneous products are involved.
- d. costs are to be assigned to specific jobs.

33. . When a job is completed and all costs have been accumulated on a job cost sheet, the journal entry that should be made is

- a. Finished Goods Inventory
  - Direct Materials
  - Direct Labor
  - Manufacturing Overhead
- b. Work In Process Inventory
  - Direct Materials
  - Direct Labor
  - Manufacturing Overhead
- c. Raw Materials Inventory
  - Work In Process Inventory

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- d. **Finished Goods Inventory**  
**Work In Process Inventory**

34. Factory labor costs

- a. are accumulated in a control account.
- b. do not include pension costs.
- c. **include vacation pay.**
- d. are based on workers net pay.

35. The entry to record the acquisition of raw materials on account is

- a. Work in Process Inventory  
Accounts Payable
- b. Manufacturing Overhead  
Raw Materials Inventory  
Accounts Payable
- c. Accounts Payable  
Raw Materials Inventory
- d. **Raw Materials Inventory**  
**Accounts Payable**

36. The following information is available for completed Job No. 402: Direct materials, P20,000; direct labor, P30,000; manufacturing overhead applied, P15,000; units produced, 5,000 units; units sold, 4,000 units. The cost of the finished goods on hand from this job is

- a. P10,000.
- b. P65,000.
- c. **P13,000.**
- d. P52,000.

37. Reich Manufacturing Company developed the following data:

|                                     |          |
|-------------------------------------|----------|
| Beginning work in process inventory | P 90,000 |
| Direct materials used               | 70,000   |
| Actual overhead                     | 110,000  |
| Overhead applied                    | 80,000   |
| Cost of goods manufactured          | 120,000  |
| Ending work in process              | 200,000  |

Reich Manufacturing Company's total manufacturing costs for the period are

- a. P240,000.
- b. **P230,000.**
- c. P180,000.
- d. cannot be determined from the data provided.

38. Gannon Company had the following information at December 31:

|                                       |         |
|---------------------------------------|---------|
| Finished goods inventory, January 1   | P20,000 |
| Finished goods inventory, December 31 | 60,000  |

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If the cost of goods manufactured during the year amounted to P840,000 and annual sales were P1,100,000, the amount of gross profit for the year is

- a. P260,000.
- b. P800,000.
- c. **P300,000.**
- d. P220,000.

39. In a job order cost system, a credit to Manufacturing Overhead will be accompanied by a debit to

- a. Cost of Goods Manufactured.
- b. Finished Goods Inventory.
- c. **Work in Process Inventory.**
- d. Raw Materials Inventory.

40. Debits to Work in Process Inventory are accompanied by a credit to all but one of the following accounts:

- a. Raw Materials Inventory.
- b. Factory Labor.
- c. Manufacturing Overhead.
- d. **Cost of Goods Sold.**

### Problem Solving

1. Ryan, Inc., has two service departments (Human Resources and Building Maintenance) and two production departments (Machining and Assembly). Costs of all departments are allocated on the basis of square footage.

|                      | <u>Square Footage</u> | <u>Direct Cost</u> |
|----------------------|-----------------------|--------------------|
| Human Resources      | 4,000                 | P250,000           |
| Building Maintenance | 11,000                | P160,000           |
| Machining            | 16,000                | P140,000           |
| Assembly             | 22,000                | P60,000            |

Using a reciprocal method, solve for the total costs allocated to the Machining Department?

\_\_\_\_\_.

2. Nairobi Corporation has three service departments (S1 and S2) and two production departments (P1 and P2). S1 and S2 both use the number of employees as an allocation base. The following data are available:

|    | <u>Number of Employees</u> | <u>Budgeted Cost</u> |
|----|----------------------------|----------------------|
| S1 | 40                         | P172,000             |
| S2 | 60                         | 250,000              |
| P1 | 300                        | 660,000              |
| P2 | 500                        | 840,000              |

Assuming use of the direct method. How much of S2's cost would be allocated to P1?

\_\_\_\_\_.

3. Novaturn Corporation has three service departments (S1 and S2) and two production departments (P1 and P2). S1 and S2 both use the number of employees as an allocation base. The following data are available:

|  | <u>Number of Employees</u> | <u>Budgeted Cost</u> |
|--|----------------------------|----------------------|
|--|----------------------------|----------------------|



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|    |     |          |
|----|-----|----------|
| S1 | 40  | P172,000 |
| S2 | 60  | 250,000  |
| P1 | 300 | 660,000  |
| P2 | 500 | 840,000  |

Assuming use of the step-down method. How much of S1's total cost would be allocated to S2?  
\_\_\_\_\_.

4. Heart Company distributes the services department overhead costs directly to producing departments without allocation to the other service departments. Information for the month of January is presented as follows:

|                              | Maintenance | Utilities |
|------------------------------|-------------|-----------|
| Overhead costs incurred..... | P18, 700    | P9, 000   |
| Service provided to:         |             |           |
| Maintenance department.....  | -           | 10%       |
| Utilities department.....    | 20%         | -         |
| Producing department A.....  | 40%         | 30%       |
| Producing department B.....  | 40%         | 60%       |

The amount of utilities department costs distributed to producing department B for January should be  
\_\_\_\_\_.

5. Douglas Company, a new firm, manufactures two products, J and K, in a common process. The joint costs amount to P80,000 per batch of finished goods. Each batch results in 20,000 liters of output, of which 80% are J and 20% are K.

The two products are processed beyond the split-off point, with Douglas incurring the following separable costs: J, P2 per liter; K, P5 per liter. After the additional processing, the selling price of J is P12 per liter, and the selling price of K is P15 per liter.

Determine the joint cost allocated to product K if the company uses the net-realizable-value method.  
\_\_\_\_\_.

6. The Peso Store has a Human Resources Department and a Janitorial Department that provide service to three sales departments. The Human Resources Department cost is allocated on the basis of employees, and the Janitorial Department cost is allocated on the basis of space. The following information is available:

|                      | Human Resources | Janitorial | Sales #1 | Sales #2 | Sales #3 |
|----------------------|-----------------|------------|----------|----------|----------|
| Budgeted cost        | P45,000         | P30,000    |          |          |          |
| Space in square feet | 4,000           | 1,000      | 20,000   | 30,000   | 50,000   |
| No. of employees     | 5               | 10         | 15       | 45       | 30       |

Using the step-down method and assuming Human Resources is allocated first, the amount of Janitorial cost allocated to Sales Department no. 3 is:  
\_\_\_\_\_.

7. After careful planning, Godric's Hollow, Inc. has decided to switch to a just-in-time inventory system effective on January 1 of the current year. As of January 1, the corporation has 70 units of sword in inventory. It has 1,000 labor hours available for the month of July. These hours could produce 250

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units of product. Customer demand for January is 200 units. If just-in-time principles are correctly followed, how many units should Change Style Inc. plan to produce in January?

\_\_\_\_\_.

8. Edi sa Puso Mo Company manufactures “Ediwow” and “Sanaol” products from a joint process (cost = P180,000). Five thousand pounds of Ediwow can be sold at split-off for P2,000 per pound or processed further at an additional cost of P250,000 and then sold for P2,500. Ten thousand pounds of Sanaol can be sold at split-off for P1,500 per pound or processed further at an additional cost of P1,200,000 and later sold for P1,600. If Edi sa Puso Mo decides to process Sanaol beyond the split-off point, operating income will increase(decrease) by:
- \_\_\_\_\_.

9. Stowers Corporation manufactures products J, K, and L in a joint process. The company incurred P480,000 of joint processing costs during the period just ended and had the following data that related to production:

| Product | Sales Value@Split-off | Sales Values & Additional Cost<br>if Processed Beyond Split-off |                 |
|---------|-----------------------|-----------------------------------------------------------------|-----------------|
|         |                       | Sales Value                                                     | Additional Cost |
| J       | P400,000              | P550,000                                                        | P130,000        |
| K       | 350,000               | 540,000                                                         | 240,000         |
| L       | 850,000               | 975,000                                                         | 118,000         |

An analysis revealed that all costs incurred after the split-off point are variable and directly traceable to the individual product line. If Stowers allocates joint costs on the basis of the products' sales values at the split-off point, what amount of joint cost would be allocated to product J?

\_\_\_\_\_.

10. Krusty Crab Company manufactures “Crabby Patty” and “Kelp Cola” products in a joint process. The joint costs amount to P80,000 per batch of finished goods. Each batch yields 20,000 liters, of which 40% are G and 60% are H. The selling price of G is P8.75 per liter, and the selling price of H is P15.00 per liter.

If the joint costs are allocated on the basis of the products' sales value at the split-off point, what amount of joint cost will be charged to each product?

\_\_\_\_\_.

**– NOTHING FOLLOWS –**

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## KEY TO CORRECTIONS

### I. Classification:

- |              |              |               |
|--------------|--------------|---------------|
| 1. Producing | 6. Support   | 11. Support   |
| 2. Support   | 7. Producing | 12. Producing |
| 3. Producing | 8. Producing | 13. Support   |
| 4. Producing | 9. Producing | 14. Support   |
| 5. Support   | 10. Support  | 15. Producing |

#### B.

1. Value-added
2. Value-added
3. Non-value-added
4. Value-added
5. Non-value-added

### II. Multiple Choice:

- |       |       |
|-------|-------|
| 1. C  | 29. C |
| 2. D  | 30. B |
| 3. C  | 31. D |
| 4. D  | 32. A |
| 5. C  | 33. D |
| 6. C  | 34. C |
| 7. C  | 35. D |
| 8. C  | 36. C |
| 9. D  | 37. B |
| 10. C | 38. C |
| 11. B | 39. C |
| 12. B | 40. D |
| 13. D |       |
| 14. B |       |
| 15. C |       |
| 16. C |       |
| 17. C |       |
| 18. A |       |
| 19. C |       |
| 20. D |       |
| 21. C |       |
| 22. B |       |
| 23. A |       |
| 24. B |       |
| 25. B |       |
| 26. D |       |
| 27. C |       |
| 28. D |       |

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### III. Problem Solving:

1. Answer: P307,284 or near to this amount due to rounding off.

Suggested Solution:

$$HR = P250,000 + 0.22BM = 291,616$$

$$BM = P160,000 + 0.10HR = P189,162$$

$$= [(291,616 \times (16k/49k)) + (189,162 \times (16/42))] + 140,000$$

$$= [95,222 + 72,062 + 140,000]$$

2. Answer: P93,750

Suggested Solution:

$$[P250,000 \times (300/800)]$$

3. Answer: P12,000

Suggested Solution:

S1's costs are allocated over 860 employees (60 + 300 + 500). Thus, P12,000 will be allocated to S2  $[P172,000 \times (60/860)]$ .

4. Answer: P6,000

Suggested Solution:

Utilities Costs P9,000

Proportion  $\frac{60\%}{90\%}$

Allocation P6,000

5. Answer: P16,000

Suggested Solution:

|                  | Sales Value | Costs Past Split-Off | Net RV          | Proportion | Allocation     |
|------------------|-------------|----------------------|-----------------|------------|----------------|
| J (16,000 x P12) | P192,000    | P32,000              | P160,000        | 160/200    | P64,000        |
| K (4,000 x P15)  | 60,000      | 20,000               | 40,000          | 40/200     | 16,000         |
|                  |             |                      | <u>P200,000</u> |            | <u>P80,000</u> |

6. Answer: P17,250

Suggested Solution:

$$HR \text{ to Janitorial: } P45,000 \times (10/100) = P4,500$$

$$\text{Janitorial to Sales \#3: } [(P30,000 + 4,500) \times (50,000/100,000)] = 17,250$$

7. Answer: 130 units

Suggested Solution:

Demand 200

Less beginning inventory 70

Production 130

8. Answer: Decrease by P200,000

Suggested Solution:

$$\text{Sell beyond split-off point: } P14,800,000 [(10,000 \times P1,600) - 1,200,000]$$

$$\text{Less: Sell at split-off point: } \underline{P15,000,000}$$



Name: \_\_\_\_\_ Class number: \_\_\_\_\_  
Section: \_\_\_\_\_ Schedule: \_\_\_\_\_ Date: \_\_\_\_\_

Income: Decrease of P200,000

9. Answer: P120,000

Suggested Solution:

The total sales value at split-off amounts to P1,600,000 (P400,000 + P350,000 + P850,000)

Since J has 25% of the sales value (P400,000 ÷ P1,600,000)

Stowers would allocate P120,000 of joint cost (P480,000 x 25%).

10. Answer: G= P22,400

H= P57,600

Suggested Solution:

Each batch of 20,000 liters yields 8,000 liters of G (40%) and 12,000 liters of H (60%). Thus, the sales values at split-off are: G, P70,000 (8,000 x P8.75) and H, P180,000 (12,000 x P15.00), for a total of P250,000. The joint cost allocation is:

G: (P70,000 ÷ P250,000) x P80,000 = P22,400

H: (P180,000 ÷ P250,000) x P80,000 = P57,600