Premium Company provides the following ABC costing information:

***Activities Total Costs Activity-cost drivers***

*Account inquiry $200,000 10,000 hours*

*Account billing $140,000 4,000,000 lines*

*Account verification accounts $75,000 40,000 accounts*

*Correspondence letters $ 25,000 4,000 letters*

 *Total costs $440,000*

*The above activities are used by Departments A and B as follows:*

 ***Department A Department B***

*Account inquiry hours 2,500 hours 4,000 hours*

*Account billing lines 400,000 lines 250,000 lines*

*Account verification accounts 10,000 accounts 8,000 accounts*

*Correspondence letters 1,200 letters 1,600 letters*

1. How much of the account inquiry cost will be assigned to Department A?

**A) $50,000 = 200k\*2500/10k**

B) $200,000

C) $60,000

D) $80,000

2. How much of the account billing cost will be assigned to Department B?

A) $8,500

B) $8,250

**C) $8,750 = 140k\*250k/4m = 87.5\*100**

D) $8,540

3. How much of account verification costs will be assigned to Department A?

A) $15,000

**B) $18,750 = 75k\*10k/40k**

C) $75,000

D) $5,000

4. How much of correspondence costs will be assigned to Department A?

A) $4,000

B) $6,250

**C) $7,500 = 25k\*1,200/4k**

D) $10,000

5. How much of the total costs will be assigned to Department A?

**A) $90,250 = 50k+18,750+7,500+14k [account billing lines cost of department A = 140k\*400k/4m]**

B) $90,650

C) $90,350

D) $90,750