Form a seven-person team. Each team member should assume the role of supervisor for one of the following seven units of Wilson Publishing:

Maintenance	Printing
Food services	Binding
Information technology	Warehousing
Design	

Wilson Publishing's four productive units are supported by three service departments: Maintenance, Food services, and Information technology. Maintenance costs are allocated to other units based on square footage, food services costs are allocated to other units based on number of employees, and information technology costs are allocated to other units based on number of PCs in use.

Below is a listing of data for each unit:

	Square Footage	Employees	PCs in Use	Direct Costs
Design	2,400	4	6	$ 400,000
Printing	6,000	8	9	1,800,000
Binding	3,000	3	2	650,000
Warehousing	9,000	3	3	180,000
Maintenance	1,000	4	1	225,000
Food services	3,000	2	1	260,000
Information technology	1,000	3	6	190,000

Each service department supervisor should prepare a cost allocation of his or her costs to other units, using both a direct and a step allocation approach. It is agreed that the step allocations would occur in the following order: (a) Maintenance, (b) Food services, and (c) Information technology. Each production supervisor should calculate his or her total costs under both approaches.

Discuss whether the amount of cost allocation varies between the two approaches and if this influences the debate about which method should be used. The team should then discuss the merits of both allocation methods and see if a consensus can be reached.