

## Chapter 10: Flexible Budgeting

Use the following to answer questions 1-2:

Pollitt Potato Packers has a flexible budget for manufacturing overhead that is based on direct labor hours. The following overhead costs appear on the flexible budget at the 200,000 hour level of activity:

Variable overhead costs (total):

Packing supplies	\$120,000
Indirect labor	\$180,000

Fixed overhead costs (total):

Utilities	\$100,000
Insurance	\$ 40,000
Rent	\$ 20,000

1. At an activity level of 180,000 direct labor hours, the flexible budget would show indirect labor cost of:

- A) \$180,000.
- B) \$108,000.
- C) \$144,000.
- D) \$162,000.

2. The flexible budget would show total variable overhead cost in dollars per direct labor hour as:

- A) \$0.60.
- B) \$0.90.
- C) \$1.50.
- D) \$1.80.

1. D      \$162,000.

Format: Multiple Choice

Difficulty: Easy

2. C      \$1.50.

Format: Multiple Choice

Difficulty: Easy

Refer To: Ref. 11-2

## Chapter 11: Standard Costs

Use the following to answer questions 1-2:

The following standards for variable manufacturing overhead have been established for a company that makes only one product:

Standard hours per unit of output	1.6 hours
Standard variable overhead rate	\$11.55 per hour

The following data pertain to operations for the last month:

Actual hours	4,900 hours
Actual total variable overhead cost	\$58,310
Actual output	3,000 units

1. What is the variable overhead spending variance for the month?
  - A) \$2,870 U
  - B) \$2,870 F
  - C) \$1,715 U
  - D) \$1,715 F
  
2. What is the variable overhead efficiency variance for the month?
  - A) \$1,680 F
  - B) \$1,190 U
  - C) \$1,155 U
  - D) \$1,190 F

Use the following to answer questions 3-6:

Bryan Company employs a standard cost system in which direct materials inventory is carried at standard cost. Bryan has established the following standards for the prime costs of one unit of product:

	Standard <u>Quantity</u>	Standard <u>Price</u>	Standard <u>Cost</u>
Direct materials	6 pounds	\$ 3.50/pound	\$21.00
Direct labor	1.3 hours	\$11.00/hour	<u>14.30</u>
			\$35.30
			aaaaa

During March, Bryan purchased 165,000 pounds of direct material at a total cost of \$585,750. The total factory wages for March were \$400,000, 90 percent of which were for direct labor. Bryan manufactured 25,000 units of product during March using 151,000 pounds of direct material and 32,000 direct labor hours.

3. The direct labor efficiency variance for March is:

- A) \$5,625 unfavorable.
- B) \$5,500 favorable.
- C) \$5,625 favorable.
- D) \$5,500 unfavorable.

4. The direct material quantity variance for March is:

- A) \$3,500 unfavorable.
- B) \$3,550 favorable.
- C) \$3,500 favorable.
- D) \$3,550 unfavorable.

5. The price variance for the direct material acquired by the company during March is:

- A) \$7,550 favorable.
- B) \$8,250 unfavorable.
- C) \$7,550 unfavorable.
- D) \$8,250 favorable.

6. The direct labor rate variance for March is:

- A) \$ 8,000 favorable.
- B) \$48,000 unfavorable.
- C) \$ 8,000 unfavorable.
- D) \$48,000 favorable.

7. During March, Younger Company's direct material costs for product T were as follows:

Actual unit purchase price	\$6.50 per meter
Standard quantity allowed for actual production	2,100 meters
Quantity purchased and used for actual production	2,300 meters
Standard unit price	\$6.25 per meter

Younger's material quantity variance for March was:

- A) \$1,250 unfavorable.
- B) \$1,250 favorable.
- C) \$1,300 unfavorable.
- D) \$1,300 favorable.

Use the following to answer questions 8-9:

The Litton Company has established standards as follows:

Direct material	3 lbs. @ \$4/lb. = \$12 per unit
Direct labor	2 hrs. @ \$8/hr. = \$16 per unit
Variable manuf. Overhead	2 hrs. @ \$5/hr. = \$10 per unit

Actual production figures for the past year are given below. The company records the materials price variance when materials are purchased.

Units produced	600
Direct material used	2,000 lbs.
Direct material purchased (3,000 lbs.)	\$11,400
Direct labor cost (1,100 hrs.)	\$ 9,240
Variable manuf. overhead cost incurred	\$ 5,720

The company applies variable manufacturing overhead to products on the basis of direct labor hours.

8. The variable overhead efficiency variance is:

- A) \$520 F.
- B) \$520 U.
- C) \$500 U.
- D) \$500 F.

9. The variable overhead spending variance is:

- A) \$240 U.
- B) \$220 U.
- C) \$220 F.
- D) \$240 F.

10. Information on Fleming Company's direct material costs follows:

Actual amount of direct materials used	20,000 pounds
Actual direct material costs	\$40,000
Standard price of direct materials	\$2.10 per pound
Direct material quantity variance—favorable	\$3,000

What was the company's direct material price variance?

- A) \$1,000 favorable.
- B) \$1,000 unfavorable.
- C) \$2,000 favorable.
- D) \$2,000 unfavorable.

## Answer Key -- Chapter 11

1. C      \$1,715 U  
Format: Multiple Choice  
Difficulty: Easy  
Type: *(None)*  
Origin: Chapter 10, Standard Costs and the .....98  
Refer To: Ref. 10-12
2. C      \$1,155 U  
Format: Multiple Choice  
Difficulty: Easy  
Type: *(None)*  
Origin: Chapter 10, Standard Costs and the .....99  
Refer To: Ref. 10-12
3. B      \$5,500 favorable.  
Format: Multiple Choice  
Difficulty: Medium  
Type: *(None)*  
Origin: Chapter 10, Standard Costs and the .....60  
Refer To: Ref. 10-1
4. A      \$3,500 unfavorable.  
Format: Multiple Choice  
Difficulty: Medium  
Type: *(None)*  
Origin: Chapter 10, Standard Costs and the .....58  
Refer To: Ref. 10-1
5. B      \$8,250 unfavorable.  
Format: Multiple Choice  
Difficulty: Medium  
Type: *(None)*  
Origin: Chapter 10, Standard Costs and the .....57  
Refer To: Ref. 10-1
6. C      \$ 8,000 unfavorable.  
Format: Multiple Choice  
Difficulty: Medium  
Type: *(None)*  
Origin: Chapter 10, Standard Costs and the .....59  
Refer To: Ref. 10-1
7. A      \$1,250 unfavorable.  
Format: Multiple Choice  
Difficulty: Medium  
Type: CPA adapted  
Origin: Chapter 10, Standard Costs and the .....41
8. D      \$500 F.

Format: Multiple Choice  
Difficulty: Easy  
Type: *(None)*  
Origin: Chapter 10, Standard Costs and the .....66  
Refer To: Ref. 10-2

9. B        \$220 U.  
Format: Multiple Choice  
Difficulty: Easy  
Type: *(None)*  
Origin: Chapter 10, Standard Costs and the .....65  
Refer To: Ref. 10-2

10. C        \$2,000 favorable.  
Format: Multiple Choice  
Difficulty: Medium  
Type: CPA adapted  
Origin: Chapter 10, Standard Costs and the .....39