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.
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:

<table>
<thead>
<tr>
<th>Quantity</th>
<th>Standard Price</th>
<th>Standard Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct materials</td>
<td>6 pounds, $3.50/pound</td>
<td>$21.00</td>
</tr>
<tr>
<td>Direct labor</td>
<td>1.3 hours, $11.00/hour</td>
<td>$14.30</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual unit purchase price</td>
<td>$6.50 per meter</td>
</tr>
<tr>
<td>Standard quantity allowed for actual production</td>
<td>2,100 meters</td>
</tr>
<tr>
<td>Quantity purchased and used for actual production</td>
<td>2,300 meters</td>
</tr>
<tr>
<td>Standard unit price</td>
<td>$6.25 per meter</td>
</tr>
</tbody>
</table>

   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:

<table>
<thead>
<tr>
<th></th>
<th>Direct material</th>
<th>Direct labor</th>
<th>Variable manuf. Overhead</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3 lbs. @ $4/lb.</td>
<td>2 hrs. @ $8/hr.</td>
<td>2 hrs. @ $5/hr.</td>
</tr>
<tr>
<td></td>
<td>$12 per unit</td>
<td>$16 per unit</td>
<td>$10 per unit</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Units produced</th>
<th>Direct material used</th>
<th>Direct material purchased (3,000 lbs.)</th>
<th>Direct labor cost (1,100 hrs.)</th>
<th>Variable manuf. overhead cost incurred</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>600</td>
<td>2,000 lbs.</td>
<td>$11,400</td>
<td>$9,240</td>
<td>$5,720</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>Actual amount of direct materials used</th>
<th>Actual direct material costs</th>
<th>Standard price of direct materials</th>
<th>Direct material quantity variance—favorable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20,000 pounds</td>
<td>$40,000</td>
<td>$2.10 per pound</td>
<td>$3,000</td>
</tr>
</tbody>
</table>

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.
9. B $220 U.
   Format: Multiple Choice
   Difficulty: Easy
   Type: (None)
   Origin: Chapter 10, Standard Costs and the ......66
   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