**BONGA UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF ACCOUNTING AND FINANCE.**

**COURSE: COST AND MANAGEMENT ACCOUNTING II**

**WORK SHEET III**

1. The standards for product F28 call for 2.7 pounds of a raw material that costs $16.50 per pound. Last month, 4,100 pounds of the raw material were purchased for $70,520. The actual output of the month was 1,300 units of product F28. A total of 3,500 pounds of the raw material were used to produce this output.

**Required:**

1. What is the materials price variance for the month?
2. What is the materials quantity variance for the month?
3. Poly Containers makes 300-gallon plastic water tanks for a variety of commercial uses. The standard per unit material, labor, and overhead costs are as follows:

Direct material: 80 pounds @ Br.2 Br.160

Direct labor: 1.25 hours @ Br.16 per hour 20

Variable overhead: 30 minutes of machine time @ Br.50.00 per hour 25

Fixed overhead: 30 minutes of machine time @ Br.40.00 per hour 20

The overhead application rates were developed using a practical capacity of 6,000 units per year. Production is assumed to occur evenly throughout the year. During May 2001, the company produced 525 tanks. Actual data for May 2001 are as follows:

Direct material purchased: 46,000 pounds @ Br.1.92 per pound

Direct material used: 43,050 pounds (all from May’s purchases)

Total labor cost: Br.10, 988.25 for 682.5 hours

Variable overhead incurred: Br.13, 770 for 270 hours of machine time

Fixed overhead incurred: Br.10, 600 for 270 hours of machine time

**Required:** Calculate the following:

1. Material price variance based on purchases
2. Material quantity variance
3. Labor rate variance
4. Labor efficiency variance
5. Variable overhead spending and efficiency variances
6. Fixed overhead spending and volume variances
7. Rock Solid Engineering Company compares actual results with a flexible budget. The standard DL rates used in the flexible budget are established each year at the time the annual plan is formulated and held constant for the entire year. The standard hours allowed for the actual output of insurance claims for April and actual results in a claims department are shown in the following schedule:

Labor Classes Standard Rate/Hrs Standard hrs Actual Hours Actual rate

Class III Br. 8.00 500 Hrs 550 8.75

Class II 7.00 520 650 7

Class I 5.00 400 375 6

**Required**: compute

1. Direct Labor rate & efficiency Variances
2. Direct Labor mix & Yield Variances
3. Bledso Supply Corporation manufactures and sells cotton gauze. Expected units of

gauze (in boxes) for upcoming months are as follows:

June........................ 3,600 boxes

July ........................ 4,000 boxes

August ................... 5,000 boxes

September.............. 3,800 boxes

October .................. 3,000 boxes

November .............. 2,400 boxes

December............... 3,500 boxes

Budgeted selling price Br. 10 per boxes

Management likes to maintain a finished goods inventory equal to 25% of the next month's estimated sales.

**Required:**

Prepare the company's Revenue and production budget for the third quarter of this year (**the months of July, August and September)** in good form. Include a column for each month and a total column for the entire quarter.

1. Pardoe, Inc., manufactures a single product in which variable manufacturing overhead is assigned on the basis of direct labor hours. The company uses a standard cost system and has established the following standards for one unit of product:

Standard Standard Price Standard

Quantity or Rate Cost

Direct materials ............................. 1.5 pounds $3.00 per pound $4.50

Direct labor.................................... 0.6 hours $6.00 per hour $3.60

Variable manufacturing overhead . 0.6 hours $1.25 per hour $0.75

During March, the following activity was recorded by the company:

The company produced 3,000 units during the month.

A total of 8,000 pounds of material were purchased at a cost of $23,000.

There was no beginning inventory of materials on hand to start the month; at the end of the month, 2,000 pounds of material remained in the warehouse.

During March, 1600 direct labor hours were worked at a rate of $6.50 per hour.

Variable manufacturing overhead costs during March totaled $1,800.

Required

1. Compute material price and Quantity variance
2. Compute labor rate and efficiency variance
3. Compute Variable MOH spending and Efficiency variance
4. Bank Management Printers, Inc., produces luxury checkbooks with three checks and stubs per page. Each checkbook is designed for an individual customer and is ordered through the customer’s bank. The company’s **operating budget** for September 2012 included these data: Number of checkbooks 15,000, Selling price per book $ 20 Variable cost per book $ 8 , and Fixed costs for the month $145,000

**The actual results for September 2012 were as follows:**Number of checkbooks produced and sold 12,000, Average selling price per book $ 21, Variable cost per book $ 7, and Fixed costs for the month $150,000  
The executive vice president of the company observed that the operating income for September was much lower than anticipated, despite a higher-than-budgeted selling price and a lower-than-budgeted variable cost per unit. As the company’s management accountant, you have been asked to provide explanations for the disappointing September results.  
Bank Management develops its flexible budget on the basis of budgeted per-output-unit revenue and per-output-unit variable costs without detailed analysis of budgeted inputs.

**Required**

**1.** Prepare a static-budget-based variance analysis of the September performance. **Required**  
**2.** Prepare a flexible-budget-based variance analysis of the September performance.  
**3.** Why might Bank Management find the flexible-budget-based variance analysis more informative than  
the static-budget-based variance analysis? Explain your answer.