# PROBLEM I

SECOND, INC. HAD THE FOLLOWING STANDARD COST CARD FOR ITS PRODUCT A:

DIRECT MATERIALS 2 LBS @ $4.00 PER POUND $ 8.00

DIRECT LABOR 4 HOURS @ $8.00 PER HOUR. 32.00

VARIABLE OVERHEAD 4 LABOR HOURS @ $5.00 PER LABOR HOUR 20.00

FIXED OVERHAED 4 LABOR HOURS @ $6.00\* PER LABOR HOUR 24.00

TOTAL STANDARD COST OF ONE UNIT OF OUTPUT $ 84.00

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\*PLANNED AND DENOMINATOR CAPACITY WAS 5,000 UNITS. ALL OVERHEAD

IS BASED ON DIRECT LABOR HOURS. THE $6.00 PER DIRECT LABOR HOUR FIXED OVERHAD RATE WAS DETERMINED AS FOLLOWS:

BUDGETED. FIXED OVERHEAD $120,000/20,000 DIRECT LABOR HOURS = $6.00

(5,000 UNITS X 4 DIRECT LABOR HOURS

PER UNIT.)

ACTUAL RESULTS FOR THE PERIOD WERE:

OUTPUT WAS 4,500 UNITS.

DIRECT MATERIALS PUTCHASED 20,000 POUNDS @ $3.50 PER POUND.

DIRECT MATERIALS USED10,000 POUNDS

DIRECT LABOR 19,000 HOURS @ $9.00

VARIABLE OVERHEAD $96,000

FIXED OVERHEAD $128,000

REQUIRED: (SHOW ALL WORK FOR THIS PROBLEM ON WORK SHEET PROVIDED ON PAGE 2).

\_\_\_\_\_AMOUNT\_\_\_\_\_\_ \_\_FAV/UNF\_\_\_

1. MATERIAL PRICE VARIANCE (PURCHASES) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. MATERIAL EFFICIENCY VARIANCE \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_

3. LABOR PRICE VARIANCE \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. LABOR EFFICIENCY VARIANCE \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_

5. LABOR BUDGET VARIANCE \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_

6. VARIABLE OVERHEAD PRICE VARIANCE \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_

7. VARIABLE OVERHEAD EFFICIECNY VAR. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_

8. VARIABLE OVERHEAD BUDGET VARIANCE \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_

9. FIXED OVERHEAD BUDGET VARIANCE \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_

10. FIXED OVERHEAD DENOMINATOR VAR. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. STANDARD COST OF 4,500 UNITS PRODUCED \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. ACTUAL COST OF 4,500 UNITS PRODUCED. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

WORKSHEET FOR PROBLEM I