**1.** Glen recently graduated with and MBA, passed the CMA exam and received a CMA certificate, and took a job with a large corporation as a cost analyst reporting to the manager of a production line.  Glen submitted his first overhead budget, and his manager has asked him to revise his estimated factory overhead rate by increasing his estimated factory overhead per machine hour.  Glen based his overhead rate on information provided by reliable and knowledgeable sources, such as source documents, historical records, and opinions of expert.  Glen’s manager explained over applied overhead results in a downward adjustment in cost of goods sold during the last quarters of the year, the time when bonuses (including Glen’s) are decided by the CEO of the corporation.   Glen expressed the opinion the CEO did not understand overhead allocation, would be pleased the business was more profitable than expected, and grant larger bonuses.

Assuming Glen’s opinion is true, why would over-stating factory overhead during the year result in more profit than expected?

 How should Glen respond to his manager’s request?  Why?