

CPA REVIEW SCHOOL OF THE PHILIPPINES
M a n i l a

ADVANCED FINANCIAL ACCOUNTING
STANDARD COSTING

GERMAN/LIM/VALIX/K. DELA CRUZ/MARASIGAN

Part I: Theory of Accounts

1. Under Standard Costing System, direct material usage variance shall be appropriately computed based on
 - a. The time of purchase
 - b. The time of disposal of finished goods
 - c. The time of usage from raw materials to work in process
 - d. The time of conversion from work in process to finished goods

2. Which of the following is correct if the material price variance account is debited in the entry to recognize the material price variance?
 - a. The actual price of raw materials is less expensive than the standard price of raw materials.
 - b. The actual price of raw materials is more expensive than the standard price of raw materials.
 - c. The number of raw materials actually used is more than the standard number of raw materials usage.
 - d. The number of raw materials actually used is fewer than the standard number of raw materials usage.

3. If the number of raw materials actually used is more than the standard number of raw materials usage, the journal entry to record the variance will include a
 - a. Debit to material usage variance
 - b. Credit to material usage variance
 - c. Debit to material price variance
 - d. Credit to material price variance

4. At the time of recording of direct labor efficiency variance, the said variance account is debited. Which of the following is correct?
 - a. The actual direct labor hours are higher than the standard direct labor hours.
 - b. The actual direct labor hours are lower than the standard direct labor hours.
 - c. The actual direct labor rate is higher than the standard direct labor rate.
 - d. The actual direct labor rate is lower than the standard direct labor rate.

5. If the actual direct labor rate is less expensive than the standard direct labor rate, the journal entry to record the variance will include
 - a. Debit to direct labor efficiency variance
 - b. Credit to direct labor efficiency variance
 - c. Debit to direct labor rate variance
 - d. Credit to direct labor rate variance

6. One of the reasons why we classify the variances is to have accountability over the production process, which of the following statements is incorrect?
 - a. The purchasing manager is generally accountable for a material price variance.
 - b. The production manger is generally accountable for a material usage variance
 - c. The human resource manager is generally accountable for a direct labor rate variance.
 - d. The legal office manager is generally accountably for a direct labor efficiency variance.

7. If the company reports *favorable material price variance but unfavorable material usage variance*, what is the most probable reason?
- Purchase and usage of low-quality materials.
 - Purchase and usage of high-quality materials
 - Hiring of inexperienced but lowly paid laborers.
 - Hiring of highly skilled and experienced but highly paid laborers.
8. If the company reports *unfavorable direct labor rate variance and favorable direct labor efficiency variance*, what is the most probable reason?
- Purchase and usage of low-quality materials.
 - Purchase and usage of high-quality materials
 - Hiring of inexperienced but lowly paid laborers.
 - Hiring of highly skilled and experienced but highly paid laborers.
9. Statement 1: If the production process results in a favorable material price variance, it will always be accompanied by an unfavorable material usage variance.
Statement 2: If the production process results in an unfavorable direct labor rate variance, it will always be accompanied by a favorable direct labor efficiency variance.
- Both statements are true
 - Both statements are false
 - Statement 1 is true; statement 2 is false
 - Statement 1 is false; statement 2 is true
10. Which of the following is mostly accountable for a volume variance
- Production manager
 - Purchasing manager
 - Executive management
 - Human resource manager
11. Which of the following factory overhead variances is purely variable?
- Controllable variance
 - Efficiency variance
 - Spending variance
 - Volume variance
12. Which of the following *factory overhead variances* is *pure fixed*?
- Spending variance
 - Controllable variance
 - Efficiency variance
 - Volume variance
13. One of the variances analyzed was the controllable variance. Which analysis was most likely used in this case?
- One-way analysis
 - Two-way analysis
 - Three-way analysis
 - Four-way analysis

Part II: Problems

1. AMD Inc. uses standard costing to account for the production of its goods. The budget officer developed the following standards for its production:

- 9.00 per unit of direct material
- 5 units of direct material per product

During 2020, the company acquired on account 2,000 units of direct material at a total cost of P20,000. The company was able to manufacture 300 products by the end of the year 2020 by using 1400 direct materials.

1. The journal entry to record the material purchase variance will include

- a. Debit to raw materials, 20,000
- b. Credit to accounts payable, 18,000
- c. Debit to material price variance at 2,000
- d. Credit to material price variance at 2,000

2. The journal entry to record the material usage variance will include

- a. Debit to work in process at P12,600
- b. Credit to raw materials at P13,500
- c. Credit to raw materials at P18,000
- d. Credit to material usage variance at P900

2. YVD Corporation uses standard costing system. The following standards were developed:

- 200 per direct labor hour
- 30 direct labor hours per product

Considering the pandemic, direct labor workers were compensated at a rate of only P180 per hour. The company was able to manufacture 300 products by the end of the year 2020, using 10,000 direct labor hours.

1. The journal entry to record the direct labor rate variance will include a

- a. Credit to accounts payable at 2,000,000
- b. Credit to labor rate variance at 200,000
- c. Credit to work in process at 1,800,000
- d. No entry

2. The journal entry to record the direct labor efficiency variance will include a

- a. Debit to work in process at 2,000,000
- b. Debit to labor efficiency variance at 200,000
- c. Debit to accounts payable 1,800,000
- d. No entry

3. LGM Inc. uses a standard costing system to account for its productions. During the month of July, the journal entry for the raw materials purchased included a credit of P3,200 to materials price variance and a credit of P30,400 to accounts payable. Upon checking the purchase invoice, materials were purchased at a price of P1.9 per unit. There were no beginning and ending raw materials inventory for the month of July. A total of 7,000 units of finished products were produced during the month. It usually takes 2 direct materials to produce a single unit of finished product.

The entry to record the direct materials usage variance will include a:

- a. Credit to work in process at 29,400
- b. Debit to materials usage variance at 3,200
- c. Debit to materials usage variance at 4,200
- d. Debit to raw materials inventory at 33,600

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