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BSBA 311

ABC Company has established standard costs for the furniture department, in which one (1) size of the cabinet is made. The standard costs of producing one of these cabinets are shown below:

Direct material (Lumber)	
50 board feet at P4.00 per foot	P200.00
Labor standard	
8 hours at P10.00 per hour	80.00
Variable overhead	
8 hours at P5.00 per hour	40.00
Fixed overhead	
8 hours at P3.00 per hour	<u>24.00</u>
Total	<u>P344.00</u>

During January 201A, 500 cabinets were produced. The actual cost of operations during the month is shown below:

Direct materials purchased (30,000 board feet at P4.10 per board foot)	P123,000
Direct materials used (24,000 board feet)	
Direct labor (4,200 hours at P9.50 per hour)	39,900
Total variable overhead cost	22,000
Total fixed overhead cost	11,000

The budgeted overhead for the furniture department based on a normal monthly activity of 4,500 hours is P36,000, of which P22,500 is variable and P13,500 is fixed overhead.

Required:

1. Material Price Variance = $(AP-SP)*AQ$

$$= (4.10 - 4.00) \times 24,000$$

$$= 2,400$$

2. Material usage/ quantity variance = $(AQ-SQ)*SP$

$$= (24,000 - 25,000) \times 4$$

$$= -4,000$$

3. Labor rate variance = $(AR-SR)*AH$

$$= (9.50 - 10) \times 4,200$$

$$= -2,100$$

4. Labor efficiency variance = $(AH-SH)*SR$

$$= (4,200 - 4,000) \times 10$$

$$= 2,000$$

5. Variable overhead rate variance = Actual costs - $(AH \times SR)$

$$= 22,000 - (4,200 \times 5)$$

$$= 1,000$$

6. Variable overhead efficiency variance = (AH x SR) – (SH x SR)
= (4,200 x 5) – (4,000 x 5)
= 1,000

7. Fixed spending variance = Actual costs – (Budgeted capacity x SR)
= 11,000 – (4,500 x 3)
= -2,500

8. Fixed volume variance = (BC x SR) – (SH x SR)
= (4,500 x 3) – (4,000 x 3)
= 1,500

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