

Budgeted inputs allowed for actual output achieved

	Actual output		Budgeted inputs allowed per unit of output		Budgeted inputs allowed for actual output achieved
Materials	1,100	×	3.00	=	3,300
Labor	1,100	×	0.50	=	550

Q1 Materials

Actual Material Costs incurred: Actual Inputs × Actual Price	Actual Inputs Purchased	Flexible Budget: × budgeted Price Used	Flexible Budget: budgeted inputs allowed for actual outputs × budgeted Price
3,500 × \$12.00 \$42,000	3,500 × \$10.00 \$35,000	3,500 × \$10.00 \$35,000	3,300 × \$10.00 \$33,000
	(\$7,000)	\$0	(\$2,000)
	Price variance	Inventory Decrease	Efficiency variance

Labor

600 × \$50.00 \$30,000	600 × \$40.00 \$24,000	550 × \$40.00 \$22,000
	(\$6,000)	(\$2,000)
	Price variance	Efficiency variance

Q2 Variable overhead variance	given	\$ (2,000)
Actual variable overhead	given	\$ 13,000
Flexible budet for variable overhead		\$11,000

Q3 Budgeted inputs allowed for actual output	1,100 × 0.50 =	550
So Variable Ovhd Rate/DLH	\$11,000 / 550 =	\$20.00

Q4 Variable overhead costs per unit	\$20.00 × 0.50 =	\$10.00
Variable manufacturing cost per unit	\$30.00 + \$20.00 + \$10.00 =	\$60.00

Overhead

	Actual Overhead Costs incurred:	Flexible Budget: Actual Inputs × Budgeted Rate	Flexible Budget: budgeted inputs allowed for actual outputs × Budgeted Rate	Applied budgeted inputs allowed for actual outputs × Budgeted Rate
Q5 Variable overhead	\$ 13,000	600 × \$20.00 \$12,000	550 × \$20.00 \$11,000	\$11,000
		<u>(\$1,000)</u> Spending variance	<u>(\$1,000)</u> Efficiency variance	<u>\$2,000</u>
Q6 Fixed Overhead rate/unit		\$90.00	- \$60.00	\$30.00
Fixed Overhead rate/DLH				\$60.00
Fixed Overhead	\$ 31,000	Lump sum budget \$ 30,000	Lump sum budget \$30,000	550 × \$60.00 \$33,000
		<u>(\$1,000)</u> Spending variance		<u>\$3,000</u> Production volume variance
Q7 Units sold		\$ 54,000 ÷	\$60.00 =	900

Income statement		Standard Absorption Costing			
Revenue					\$ 108,000
Std full cost of goods sold		900 × \$90.00	=	\$81,000	
Variations	Materials	Price	Variance	(\$7,000)	
	Materials	Efficiency	Variance	(\$2,000)	
	Labor	Price	Variance	(\$6,000)	
	Labor	Efficiency	Variance	(\$2,000)	
Variable	Overhead	Spending	Variance	(\$1,000)	
Variable	Overhead	Efficiency	Variance	(\$1,000)	
Fixed Ovhd		Spending	Variance	(\$1,000)	
Fixed Ovhd	Production Volume		Variance	\$3,000	
Total Variations				<u>(\$17,000)</u> <u>\$ 17,000</u>	
					\$98,000
Gross Margin					\$10,000

Q8 Income difference				\$10,000 - \$ 4,000 = \$ 6,000
Inventory increase		Produced 1,100	-	sold 900 = 200
Income difference	Inventory increase 200	×	Fixed Overhead rate/unit	\$30.00 = \$ 6,000