Section 4 -cost accounting G4

[15 March 2020]

1. A flexible-budget variance is $600 favorable for unit-related costs. This indicates that costs were________.

A) $600 more than the master budget
B) $600 less than for the planned level of activity
C) $600 more than standard for the achieved level of activity
D) $600 less than standard for the achieved level of activity
Answer: D

2. Goodard Inc. planned to use $153 of material per unit but actually used $140 of material per unit, and planned to make 1,100 units but actually made 940 units.

The flexible-budget amount for materials is ________.
A) $168,300
B) $143,820
C) $154,000
D) $131,600
Answer: B
Explanation: 940 units × $153 = $143,820

3. Goodard Inc. planned to use $156 of material per unit but actually used $141 of material per unit, and planned to make 1,150 units but actually made 920 units.

The flexible-budget variance for materials is ________.
A) $13,800 favorable
B) $13,800 unfavorable
C) $17,250 unfavorable
D) $17,250 favorable
Answer: A
Explanation: ($141 − $156) × 920 = $13,800 F

4. Goodard Inc. planned to use $155 of material per unit but actually used $147 of material per unit, and planned to make 1,110 units but actually made 1,000 units.

The sales-volume variance for materials is ________.
A) $8,000 favorable
B) $16,170 unfavorable
C) $17,050 unfavorable
D) $8,000 unfavorable
Answer: C

Explanation: (1,000 − 1,110) × $155 = $17,050 U

5. Harland Corporation currently produces cardboard boxes in an automated process. Expected production per month is 20,000 units, direct material costs are $2.50 per unit, and manufacturing overhead costs are $15,000 per month. Manufacturing overhead is all fixed costs. What are the flexible budget for 14,000 and 20,000 units, respectively?

A) $14,000; $65,000
B) $14,000; $30,000
C) $50,000; $65,000
D) $50,000; $30,000
Answer: C

Explanation:	14,000 units	20,000 units
Materials ($2.50)	$35,000	$50,000
Machinery	15,000	15,000
Flexible Budgets	$50,000	$$65,000

6. Better Products Inc. planned to use $43 of material per unit but actually used $32 of material per unit, and planned to make 1,510 units but actually made 1,340 units.

The flexible-budget amount for materials is ________.
A) $57,620
B) $64,930
C) $48,320
D) $42,880
Answer: A
Explanation: 1,340 units × $43 = $57,620

7. Better Products Inc. planned to use $36 of material per unit but actually used $34 of material per unit, and planned to make 1,520 units but actually made 1,310 units.

The flexible-budget variance for materials is ________.
A) $3,040 favorable
B) $3,040 unfavorable
C) $2,620 unfavorable
D) $2,620 favorable
Answer: D
Explanation: ($34 − $36) × 1,310 = $2,620 F

8. Better Products Inc. planned to use $40 of material per unit but actually used $30 of material per unit, and planned to make 1,560 units but actually made 1,310 units.

The sales-volume variance for materials is ________.
A) $10,000 favorable
B) $10,000 unfavorable

C) $7,500 unfavorable
D) $7,500 favorable
Answer: A
Explanation: (1,310 − 1,560) × $40 = $10,000 F
Diff: 2
Objective: 2
AACSB: Application of knowledge

9. The actual information pertains to the month of June. As a part of the budgeting process, Great Cabinets Company developed the following static budget for June. Great Cabinets is in the process of preparing the flexible budget and understanding the results.

	Actual Results	**Flexible Budget**	**Static Budget**
Sales volume (in units)	18,000	______	23,000
Sales revenues	$900,000	$	$1,150,000
Variable costs	360,000	$ ________	463,910
Contribution margin	540,000	$	686,090
Fixed costs	275,300	$ ________	269,500
Operating profit	$264,700	$ ______	$416,590

The flexible budget will report ________ for variable costs.
A) $592,774
B) $460,000
C) $363,060
D) $463,910
Answer: C
Explanation: 18,000 units × $463,910 / 23,000 = $363,060
Diff: 2

10. The president of the company, Peter Francis, has come to you for help. Use the following data to prepare a flexible budget for possible sales/production levels of 10,000, 15,000, and 20,000 units. Show the contribution margin at each activity level.

Sales price	$30 per unit
Variable costs:	
Manufacturing	$10 per unit
Administrative	$ 3 per unit
Selling	$ 1 per unit
Fixed costs:	

Manufacturing	$70,000
Administrative	$30,000

Answer:

Flexible Budget for Various Levels
of Sales/Production Activity

Units	10,000	15,000	20,000
Sales	$300,000	$450,000	$600,000
Variable costs:			
Manufacturing	100,000	150,000	200,000
Administrative	30,000	33,000	36,000
Selling	10,000	11,000	12,000
Total variable costs	140,000	194,000	248,000
Contribution margin	160,000	256,000	352,000
Fixed costs:			
Manufacturing	70,000	70,000	70,000
Administrative	30,000	30,000	30,000
Operating income/(loss)	$ 60,000	$ 156,000	$ 252,000