

You should proceed to the requirements below only after completing your worksheet.

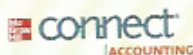
Required:

- Check your worksheet by changing the direct materials standard quantity in cell B6 to 2.9 pounds, the direct labor quantity standard quantity in cell B7 to 0.6 hours, and the variable manufacturing overhead in cell B8 to 0.6 hours. The materials spending variance should now be \$1,500 U, the labor spending variance should now be \$3,720 F, and the variable overhead spending variance should now be \$60 F. If you do not get these answers, find the errors in your worksheet and correct them.
 - What is the materials quantity variance? Explain this variance.
 - What is the labor rate variance? Explain this variance.
- Revise the data in your worksheet to reflect the results for the subsequent period:

Data**Exhibit 8-8: Standard Cost Card**

Inputs	Standard Quantity	Standard Price
Direct materials.....	3.0 pounds	\$4.00 per pound
Direct labor	0.50 hours	\$22.00 per hour
Variable manufacturing overhead.....	0.50 hours	\$6.00 per hour
Actual results:		
Actual output	2,100 units	
Actual variable manufacturing overhead cost....	\$5,100	
	Actual Quantity	Actual Price
Actual direct materials cost	6,350 pounds	\$4.10 per pound
Actual direct labor cost.....	1,020 hours	\$22.10 per hour

- What is the materials quantity variance? What is the materials price variance?
- What is the labor efficiency variance? What is the labor rate variance?
- What is the variable overhead efficiency variance? What is the variable overhead rate variance?

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Preble Company manufactures one product. Its variable manufacturing overhead is applied to production based on direct labor-hours and its standard cost card per unit is as follows:

LO1, LO2, LO4,
LO5, LO6

Direct material: 5 pounds at \$8.00 per pound.....	\$40.00
Direct labor: 2 hours at \$14 per hour.....	28.00
Variable overhead: 2 hours at \$5 per hour.....	10.00
Total standard variable cost per unit.....	<u>\$78.00</u>

The company also established the following cost formulas for its selling expenses:

	Fixed Cost per Month	Variable Cost per Unit Sold
Advertising.....	\$200,000	
Sales salaries and commissions	\$100,000	\$12.00
Shipping expenses		\$3.00

The planning budget for March was based on producing and selling 25,000 units. However, during March the company actually produced and sold 30,000 units and incurred the following costs:

- Purchased 160,000 pounds of raw materials at a cost of \$7.50 per pound. All of this material was used in production.
- Direct-laborers worked 55,000 hours at a rate of \$15.00 per hour.