

ACCT 221 Homework Problems Solutions - UMUC

Download

Question 1

Abby Inc produces granite grave stones. Each monument typically requires 300 pounds of granite. The standard cost for granite is estimated at \$150 per ton (2,000 pounds). During a recent month, 200 monuments were constructed. The company purchased and used 25 tons of material at a cost of \$175 per ton.

Requirement:

Compute the total variance for materials, and determine how much is related to price and how much is related to quantity.

Question 2

Drake Incorporated uses a standard cost system, and calculates and records variances related to direct materials and direct labor. The following information was available for March:

Purchases of raw materials – actual cost \$273,100

Purchases of raw materials – standard cost \$286,755

All of the purchased raw material was transferred to work in process, and the materials quantity variance was unfavorable by \$25,000.

Direct labor – actual cost - \$267,300

Direct labor – standard cost for output - \$262,350

The labor efficiency variance was favorable by \$14,000

Requirements:

1. Prepare the journal entry that is needed to record the purchase of raw materials at standard price, and related variance.
2. Prepare the journal entry that is needed to record the transfer of raw materials to production at standard usage rates, and the related unfavorable quantity variance.
3. Prepare the journal entry that is needed to record the increase in work in process for the standard direct labor costs, and record the related rate and efficiency variance

Question 3

Blake Corporation has three business segments: paint, wallpapers, and tools. The company's assumed cost of capital is 12%. Financial information about each segment follows.

	Paint Segment	Wallpaper Segment	Tools Segment
Segment Operating Income	\$1,625,000	\$1,187,500	\$2,250,000
Invested capital	\$13,250,000	\$8,750,000	\$18,750,000

Requirements:

1. Prepare an analysis of residual income for each segment, and note which segment has the highest residual income.
2. Assuming a reduction in assumed cost of capital to 7%, prepare a revised analysis of residual income. Does this revised assumption alter the rankings?

Question 4

The following data relates to the manufacturing activities of Sam Club Company for the first quarter of the current year:

Standard activity in (units)	30,000
Actual production (unit)	24,000
Budgeted fixed manufacturing overhead	\$36,000
Variable overhead rate (per unit)	\$4.00
Actual fixed manufacturing overhead	\$37,200
Actual variable manufacturing overhead	\$88,800

Requirement:

Compute the overhead budget variance and the overhead volume variance. (Assume overhead is applied based on units produced).

Question 5

Given the following data of Blue Company, prepare a schedule that shows contribution margin, contribution to indirect expenses, and net income.

Direct fixed expenses - \$324,000
 Indirect fixed expenses - \$259,200
 Sales - \$2,100,000
 Variable expenses - \$1,500,000

What would be the effect on the company income if the segment was eliminated?