

PART A: STRUCTURED QUESTIONS

1. Define standard costing and describe types of standard costing.
2. Explain four major functions of standard costing.
3. Describe three (3) types of standard costing.
4. Describe three (3) limitations of standard costing

PRACTICAL QUESTIONS

1. The following is a company's standard costs data:

Direct Materials:

20 kg 'A' @ £0.80 per kg

15 kg 'B' @ £2.40 per kg

Direct Labor:

Preparation 14 hours at £3.75 per hour

Assembly 5 hours at £2.50 per hour

Total budgeted overheads for the year:

	£	Hours
Preparation department	88,000	21,000
Assembly department	150,000	24,000

The fixed budgeted overheads are £25,000 and £48,000 for the Preparation and Assembly departments respectively.

Prepare a standard cost sheet for one unit of product manufactured. (Hint: It should include direct materials, direct labor, variable & fixed overheads)

1) Product X has a standard direct material cost as follows.

10 Kg of material Y at £10 per Kg = £100 per unit of product X

During the period, 1,000 units of X were produced, using 11,700 Kg of material Y which cost £98,600.

You are required to calculate:

- a) total direct material variance

- b) direct material price variance
- c) direct material usage variance
- d) explain reasons based on (b) and (c)

2. The following direct labor data pertain to the operations of Foster Manufacturing Company for the month of January 2016.

Standard labor rate	RM10 per hour
Actual hours incurred	9,000 hours
Idle time	500 hours

The standard cost card shows that 2.5 hours are required to complete one unit of product. The actual labor rate incurred exceeded the standard rate by 10%. Four thousand units were manufactured in January 2016.

Compute the price, quantity, idle time and total labor variances. Label each variance as favorable (F) or adverse (A).

3. Ali Baba has been prepared a budget for the production of 300 units in October 2016 as follows:

	Total (RM)
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CHAPTER 9: Standard Costing

Direct materials (4 kg per unit)	7,200
Direct labor (RM11 per hour)	6,600

The actual production for the month of October 2016 was 400 units and the costs were as given below:

	Total (RM)
Direct materials (RM6.25 per kg)	9,000
Direct labor (2.25 hours per unit)	10,890

Required:

- a) Calculate the following variances:
 - i. Direct material price & usage
 - ii. Direct labor rate & efficiency

- b) Discuss the possible causes of these variances.

4. McDonald's manufactures the bags of frozen french fries used at its franchised restaurants. Last week, McDonald's purchased and used 100,000 pounds of potatoes at a price of RM1.00 per pound.

During the week, 2,000 direct labor hours were incurred in the plant at a rate of RM12.25 per hour. The standard price per pound of potatoes is RM0.85, and the standard direct labor rate is RM12.00 per hour.

Standards indicate that for the number of bags of frozen fries produced, the factory should have used 97,000 pounds of potatoes and 1,900 hours of direct labor.

You are required to determine:

- a) Direct materials price and quantity variances.
- b) Direct labor price and quantity variances.

- 7) Hero Ltd plans to produce 1,000 units of Product Inspire during August 2022. The expected time to produce a unit of Inspire is five hours, and the budgeted fixed overhead is RM20,000. The standard fixed overhead cost per unit will therefore be RM20 per unit (5 hours at RM4 per hour).

Actual fixed overhead in August 2022 turns out to be RM20,450 due to poor in production management & planning. However, the workforce manages to produce 10% more than the budgeted units of product in 5,400 hours of work.

Calculate:

- Fixed overhead expenditure variance
- Fixed overhead volume efficiency variance
- Fixed overhead volume capacity variance

- 8) Jasper Co. has the following budget and actual figures for 2022.

	Budget	Actual
Sales units	600	620
Selling price per unit	\$30	\$29

Standard full cost of production = \$28 per unit.

Required:

Compute the sales price variance and the sales volume variance.