

CB2101 Quiz 2

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1. Rovinsky Corporation, a company that produces and sells a single product, has provided its contribution format income statement for November.

Sales (6,400 units)	\$403,200
Variable expenses	<u>275,200</u>
Contribution margin	128,000
Fixed expenses	<u>103,500</u>
Net operating income	<u><u>\$24,500</u></u>

If the company sells 6,300 units, its net operating income should be closest to: **(Do not round intermediate calculations.)**

- ☐ \$23,979
- ☐ \$22,500
- ☐ \$24,500
- ☐ \$20,000
2. Bristo Corporation has sales of 2,000 units at \$40 per unit. Variable expenses are 30% of the selling price. If total fixed expenses are \$46,000, the degree of operating leverage is:
- ☐ 2.40
- ☐ 8.00
- ☐ 2.57
- ☐ 5.60
3. A manufacturing company that produces a single product has provided the following data concerning its most recent month of operations:

Selling price	\$ 181
Units in beginning inventory	0
Units produced	13,100
Units sold	12,500
Units in ending inventory	600
Variable costs per unit:	
Direct materials	\$ 56
Direct labor	\$ 48
Variable manufacturing overhead	\$ 12

Variable selling and administrative expense	\$ 10
Fixed costs:	
Fixed manufacturing overhead	\$ 471,600
Fixed selling and administrative expense	\$ 187,500

What is the total period cost for the month under variable costing?

- ☐ \$471,600
- ☐ \$312,500
- ☐ \$659,100
- ☐ \$784,100

4. Columbia Corporation produces a single product. The company's variable costing income statement for November appears below:

Columbia Corporation Income Statement For the Month ended November 30	
Sales (\$22 per unit)	\$ 952,600
Variable expenses:	
Variable cost of goods sold	606,200
Variable selling expense	129,900
Total variable expenses	736,100
Contribution margin	216,500
Fixed expenses:	
Manufacturing	107,130
Selling and administrative	35,710
Total fixed expenses	142,840
Net operating income	\$ 73,660

During November, 35,710 units were manufactured and 8,490 units were in

beginning inventory. Variable production costs have remained constant on a per unit basis over the past several months.

The value of the company's inventory on November 30 under absorption costing would be:

- ☐ \$12,600
- ☐ \$18,000
- ☐ \$15,300
- ☐ \$23,000

5. Sthilaire Corporation is working on its direct labor budget for the next two months. Each unit of output requires 0.52 direct labor-hours. The direct labor rate is \$9.00 per direct labor-hour. The production budget calls for producing 1,700 units in April and 1,600 units in May. The company guarantees its direct labor workers a 40-hour paid work week. With the number of workers currently employed, that means that the company is committed to paying its direct labor work force for at least 960 hours in total each month even if there is not enough work to keep them busy.

Required:

Prepare the direct labor budget for the next two months. **(Round "labor-hours per unit" & "labor cost per hour" answers to 2 decimal places.)**

6. LBC Corporation makes and sells a product called Product WZ. Each unit of Product WZ requires 4.3 hours of direct labor at the rate of \$22.00 per direct labor-hour. Management would like you to prepare a Direct Labor Budget for June.

The company plans to sell 26,000 units of Product WZ in June. The finished goods inventories on June 1 and June 30 are budgeted to be 480 and 60 units, respectively. Budgeted direct labor costs for June would be:

- ☐ \$2,419,868
- ☐ \$2,438,618
- ☐ \$564,500
- ☐ \$2,457,368

7. Which of the following budgets are prepared before the sales budget?

	Budgeted Statement	IncomeDirect Budget	Labor
A)	Yes	Yes	
B)	Yes	No	
C)	No	Yes	
D)	No	No	

- ☐ Choice A
- ☐ Choice B
- ☐ Choice C
- ☐ Choice D

8. Bondi Corporation makes automotive engines. For the most recent month, budgeted production was 3,300 engines. The standard power cost is \$2.40 per machine-hour. The company's standards indicate that each engine requires 11.1 machine-hours. Actual production was 3,600 engines. Actual machine-hours were 38,160 machine-hours. Actual power cost totaled \$95,282.

Required:

Determine the rate and efficiency variances for the variable overhead item power cost. **(Indicate the effect of each variance by selecting "F" for favorable, "U" for unfavorable, and "None" for no effect (i.e., zero variance). Input all amounts as positive values.)**

9. The Fime Corporation uses a standard costing system. The following data have been assembled for December:

Actual direct labor-hours worked	6,300	hours
Standard direct labor rate	\$10	per hour
Labor efficiency variance	\$2,000	Unfavorable

The standard hours allowed for December's production is:

- ☐ 5,900 hours
- ☐ 6,100 hours
- ☐ 6,300 hours
- ☐ 6,500 hours

10. Krizun Industries makes heavy construction equipment. The standard for a particular crane calls for 13 direct labor-hours at \$15 per direct labor-hour. During a recent period 950 cranes were made. The labor efficiency variance was \$4,500 Unfavorable. How many actual direct labor-hours were worked?

- ☐ 16,850 direct labor-hours
- ☐ 12,350 direct labor-hours
- ☐ 12,650 direct labor-hours

11,400 direct labor-hours

BDDC ADBC

5.

	April	May
Required production in units	1,700	1,600
Direct labor-hours per unit	0.52	0.52
Total direct labor-hours needed	884	832
Total direct labor-hours paid	960	960
Direct labor cost per hour	\$9.00	\$9.00
Total direct labor cost	\$8,640	\$8,640

8.

Variable overhead rate variance	\$3,698	U
Variable overhead efficiency variance	\$4,320	F