

ACCOUNTING 203

Chapter 8 Practice Test

True and False Questions

1. Standards are set for units; budgets are expressed in total dollars.
2. The standard quantity per unit for direct materials should not include an allowance for waste, spoilage and other inefficiencies.
3. Ideal standards should be used for forecasting and planning.
4. In general, the purchasing agent is responsible for the material price variance.
5. When more hours of labor time are necessary to complete a job than the standard allows, the labor rate variance is unfavorable.

Multiple Choice Questions

6. An unfavorable material quantity variance indicates that:
 - A) actual usage of material exceeds the standard material allowed for output.
 - B) standard material allowed for output exceeds the actual usage of material.
 - C) actual material price exceeds standard price.
 - D) standard material price exceeds actual price.

7. The materials price variance should be computed:
 - A) when materials are purchased.
 - B) when materials are used in production.
 - C) based upon the amount of materials used in production when only a portion of materials purchased is actually used.
 - D) based upon the difference between the actual quantity of inputs and the standard quantity allowed for output times the standard price.

8. Which department should usually be held responsible for an unfavorable material usage variance would most likely result from:
 - A) labor efficiency problems.
 - B) machine efficiency problems.
 - C) the purchase and use of higher than standard quality material.
 - D) the purchase and use of lower than standard quality material..

9. Perkins Willmore Company, which has a standard cost system, had 500 pounds of raw material X in its inventory at June 1, purchased in May for \$1.20 per pound and carried at a standard cost of \$1.00 per pound. The following information pertains to raw material X for the month of June:

Actual pounds purchased	1,400
Actual pounds used	1,500
Standard pounds allowed for actual production	1,300
Standard cost per pound	\$1.00
Actual cost per pound	\$1.10

The unfavorable materials purchase price variance for raw material X for June was:

- A) \$ 0.
- B) \$130.
- C) \$140.
- D) \$150.

10. The Fox Company has a standard costing system. The following data are available for September:

Actual quantity of direct materials purchased	25,000 pounds
Standard price of direct materials	\$2 per pound
Material price variance	\$ 2,500 unfavorable

The actual price per pound of direct materials purchased in September is:

- A) \$1.85.
- B) \$2.00.
- C) \$2.10.
- D) \$2.15.

11. The Swanson Company has a standard costing system. The following data are available for June:

Actual quantity of direct materials purchased	35,000 pounds
Standard price of direct materials	\$4 per pound
Material price variance	\$7,000 unfavorable
Material quantity variance	\$4,200 favorable

The actual price per pound of direct materials purchased in June is:

- A) \$3.92.
- B) \$4.32.
- C) \$4.08.
- D) \$4.20.

Use the following to answer questions 12-16

Fox Engineering performs cement core tests in its laboratory. The following standards have been set for each core test performed:

	<i>Standard Hours or Quantity</i>	<i>Standard Price or Rate</i>
Direct materials.....	3 pounds	\$0.75 per pound
Direct labor.....	0.4 hours	\$12 per hour
Variable manufacturing overhead....	0.4 hours	\$9 per hour

During March, the laboratory performed 2,000 core tests. On March 1 no direct materials (sand) were on hand. Variable manufacturing overhead is assigned to core tests on the basis of direct labor hours. The following events occurred during March:

- 8,600 pounds of sand were purchased at a cost of \$7,310.
- 7,200 pounds of sand were used for core tests.
- 840 actual direct labor hours were worked at a cost of \$8,610.
- Actual variable manufacturing overhead incurred was \$3,200.

12. The material price variance for March is:

- A) \$860 unfavorable.
- B) \$860 favorable.
- C) \$281 unfavorable.
- D) \$281 favorable.

13. The materials quantity variance for March is:

- A) \$900 favorable.
- B) \$1,950 favorable.
- C) \$1,950 unfavorable.
- D) \$900 unfavorable.

14. The labor rate variance for March is:

- A) \$4,578 unfavorable.
- B) \$1,470 unfavorable.
- C) \$4,578 favorable.
- D) \$1,470 favorable.

15. The labor efficiency variance for March is:
- A) \$480 favorable.
 - B) \$480 unfavorable.
 - C) \$192 favorable.
 - D) \$192 unfavorable.
16. The variable overhead efficiency variance for March is:
- A) \$320 unfavorable.
 - B) \$320 favorable.
 - C) \$360 unfavorable.
 - D) \$360 favorable.

Use the following to answer questions 17-18.

The auto repair shop of Little Motor Sales uses standards to control labor time and labor cost in the shop. The standard time for a motor tune-up is 2.5 hours. The record showing time spent in the shop last week on tune-ups has been misplaced; however, the shop supervisor recalls that 50 tune-ups were completed during the week and the controller recalls that the labor rate variance on tune-ups was \$87, favorable. The shop has set standard labor rate of \$9 per hour for tune-up work. The total labor variance for the week on tune-up work was \$93, unfavorable.

17. The number of actual hours spent on tune-up work last week was:
- A) 125 hours
 - B) 105 hours.
 - C) 145 hours
 - D) Cannot be computed with further information.
18. The actual hourly rate of pay for tune-up work last week was:
- A) \$8.40 per hour.
 - B) \$9.00 per hour.
 - C) \$9.60 per hour.
 - D) Cannot be computed without further information.

Answers:

1. T 2. F 3. F 4. T 5. F

**6. A 7. A 8. D 9. C 10. C 11. D 12. A 13. D 14. D
15. B 16. C 17. C 18. A**