

Financial & Managerial Accounting for Undergraduates
2nd Edition
by Wallace, Nelson, Christensen, Hobson, and Matthews

PRACTICE QUIZ

Chapter 23: Standard Costing and Variance Analysis

1. Standard costing consists of:
 - a. Setting targets, benchmarks or goals for performance before the accounting period
 - b. Talking with customers to see which products are overpriced
 - c. Focus on past costs to evaluate manager performance
 - d. All of the above

2. Why are variances an important evaluation tool for managers?
 - a. It shows the difference between the costs that were budgeted, and the actual costs incurred.
 - b. It allows managers to pinpoint areas for improvement in future periods.
 - c. It allows managers to be more efficient.
 - d. All of the above

Use the following information for Questions 3 and 4:

Trendy Coats is looking at financials to prepare end of year reports. It purchases cotton to make their coats. Actual quantity of pounds purchased was 8,000 pounds. Standard quantity was 10,000 pounds. Actual price per pound was \$1.25. Standard price per pound was \$1.05.

3. What is Trendy Coats' materials price variance?
 - a. (\$1,600) Favorable; they paid a price higher than what was expected.
 - b. \$1,600 Unfavorable; they paid a price higher than what was expected.
 - c. \$10,000 Unfavorable; they paid a price higher than what was expected.
 - d. \$8,400 Favorable; they paid a price higher than what was expected.

4. What is Trendy Coats' materials efficiency variance?
 - a. (\$2,500) Favorable; they used less material than what was expected.
 - b. (\$10,500) Favorable; they used less material than what was expected.
 - c. (\$2,100) Favorable; they used less material than what was expected.
 - d. (\$1,600) Favorable; they used less material than what was expected.

Use the following information for Questions 5 and 6:

Trendy Coats is looking at financials to prepare end of year reports. Actual hours used were 4,000. Standard hours allowed were 5,000. Actual wage paid per hour was \$13. The total labor flexible budget variance was (\$23,000) Favorable.

5. What was Trendy Coat's standard price?
 - a. \$15.00
 - b. \$12.00
 - c. \$17.00
 - d. \$13.50

6. What's Trendy Coats' labor efficiency variance?
 - a. Since we don't know the standard price, there is no labor efficiency variance.
 - b. (\$23,000) Favorable; they used less labor hours than expected.
 - c. (\$8,000) Favorable; they used less labor hours than expected.
 - d. (\$15,000) Favorable; they used less labor hours than expected.

7. A company just calculated its actual variable overhead. Which of the following was *most likely* included in that calculation?
 - a. Direct materials and direct labor (this do not include indirect materials and indirect labor)
 - b. Factory Utilities
 - c. Both a and b
 - d. None of the above

8. At the end of the year, companies sometimes close any variance accounts to which of the following accounts?
 - a. Cost of Goods Sold
 - b. Finished Goods
 - c. Work in Process
 - d. All of the above

9. The total materials flexible budget variance can be split into:
 - a. Fixed overhead and variable overhead
 - b. Materials price variance and Materials efficiency variance
 - c. Labor rate variance and Labor efficiency variance
 - d. Variable overhead variance

10. Trendy Coats applies overhead based on labor hours. It has a predetermined overhead application or standard rate of \$5.00/hour. If they had 1000 standard hours and an unfavorable variable overhead efficiency variance of \$400 Unfavorable, how many actual hours were used?
 - a. 1,080
 - b. 1,400
 - c. 600
 - d. 980

SOLUTIONS

Chapter 23: Standard Costing and Variance Analysis

1. a
2. d
3. b
4. c
5. a
6. d
7. b
8. d
9. b
10. a