Standard Costing InClass

1. The following materials standards have been established for a particular product:

Standard quantity per unit of output.........	9.2 grams
Standard price....................................	$14.70 per gram

The following data pertain to operations concerning the product for the last month:

Actual materials purchased	5,500 grams
Actual cost of materials purchased.........	$76,450
Actual materials used in production........	5,100 grams
Actual output	540 units

Required:

a. What is the materials price variance for the month?

b. What is the materials quantity variance for the month?

a. Materials price variance = (AQ × AP) - (AQ × SP)

   = $76,450 - (5,500 grams × $14.70 per gram)

   = $76,450 - $80,850

   = $4,400 F

b. SQ = Standard quantity per unit × Actual output = 9.2 grams per unit × 540 units = 4,968 grams

   Materials quantity variance = (AQ - SQ) × SP

   = (5,100 grams - 4,968 grams) × $14.70 per gram

   = (132 grams) × $14.70 per gram

   = $1,940.40 U

Standard Costing InClass Summary

Category	# of Questions
AACSB: Analytic	1
AICPA BB: Critical Thinking	1
AICPA FN: Measurement	1
Blooms: Apply	1
Difficulty: 1 Easy	1
Garrison - Chapter 10	1
Learning Objective: 10-	1

01 Compute the direct materials price and quantity variances and explain their significance.