

CH. 7 Weighted Avg. Method

Weighted Average method Cornerstone Exercise 7-8

Grades	Number of Pounds	Weight Factor	Weighted Number of Pounds	Percent	Allocated J.C.
Grade A	###	##	###	% % % %	\$,###
Grade B	###	##	###	% % % %	\$,###
Slices	###	##	###	% % % %	\$,###
Applesauce	###	##	###	% % % %	\$,###
Total			###		\$,###

CH. 7 Net Realizable Method

NRV Method Cornerstone Exercise 7-10

Product	Market Price	Further Processing Cost	Hypothetical Market Price	Number of Gallons	Hypothetical Market Value	Percent*	Allocated Joint Cost**
L-Ten	\$,##	\$,##	\$,##	###	\$,###	% % % %	\$,###
Triol	\$,##	\$,##	\$,##	###	\$,###	% % % %	\$,###
Ploze	\$,##	\$,##	\$,##	###	\$,###	% % % %	\$,###
Total					\$,###		\$,###

Ch. 9

Chapter 9

AP = Actual Price per unit
 SP = Standard Price per unit
 AQ = Actual Quantity of DM used in production
 SQ = standard Quantity
 MPV = Materials Price Variance
 MUV = Materials Usage Variance

$$MPV = (AP \times AQ) - (SP \times AQ)$$

$$MPV = (AP - SP) \times AQ$$

$$MUV = (SP \times AQ) - (SP \times SQ)$$

$$MUV = (AQ - SQ) \times SP$$

$$LRV = (AR \times AH) - (SR \times AH)$$

$$LRV = (AR - SR) \times AH$$

AH = Actual Hourly Wage Rate
 SR = Standard Hourly Wage Rate
 AH = Actual Direct Labour Hours Used

$$LEV = (AH \times SR) - (SH \times SR)$$

$$LEV = (AH - SH) \times SR$$

AH = Actual Direct Labour Hours Used
 SH = Standard Direct Labour hours that should have been used
 SR = Standard hourly wage rate

Variable Overhead Spending Variance = (AVOR x AH) - (SVOR x AH)
 Variable Overhead Spending Variance = (AVOR - SVOR) x AH
 Variable Overhead Efficiency Variance = (SVOR x AH) - (SVOR x SH)
 Variable Overhead Efficiency Variance = (AH - SH) SVOR
 Positive = Favorable
 SH = Units Produced x Standard DL hours/unit
 Variable Overhead Variance - AVOH - (VOHR x SH)
 Standard Hours = Units Produced / Standard Direct Labour Hours

SVOR = Standard Variable Overhead Rate
 SVOR = SVOH/Actual Hours Worked
 AVOR = Actual Variable Overhead Rate
 AVOR = AVOH/ Actual Hours Worked

Fixed Overhead Spending Variance = AFOH - BFOH
 Fixed Overhead Volume Variance = BFOH - Applied FOH
 Positive = Unfavorable
 BFOH = Budgeted Fixed OH
 AFOH = Actual FOH
 Applied Fixed OH = (Fixed OH Rate x (Units Produced x Standard DL Hours/Unit))
 SH = Standard Hours (Units Produced x Standard DL hours per unit)

SM = Standard Mix Proportion x Total Actual Input Quantity

Ch. 9

Standard Mix

1. Calculate the Standard Mix
SM = Standard mix proportion x Total actual input quantity
 SM tomato sauce = % % % x #,### = ### kg
 SM cheese = % % % x #,### = ### kg
 SM sausage = % % % x #,### = ### kg

Direct Material	AQ	SM	AQ - SM	SP	(AQ - SM)SP
Tomato sauce	###	###	(##)	\$,##	(\$)
Cheese	###	###	(##)	\$,##	(\$)
Sausage	###	###	(##)	\$,##	(\$)
Mix variance					\$,## U

3. Actual mix proportion tomato sauce = AQ/Total Input = %
 Actual mix proportion cheese = AQ/Total Input = %
 Actual mix proportion sausage = AQ/Total Input = %

Yield Ratio = Output/Input
 Standard Cost of the Yield (SPy) = Standard Cost/Kg's of Yield
 Standard Yield = Yield Ratio x Actual Amount of Inputs
 Yield Variance = (Standard Yield - Actual Yield) SPy

CH. 7 Gross Margin Method

Gross Margin Method Cornerstone Exercise 7-11

1. Total revenue:			
L-Ten (Price x Units)	\$,###		
Triol (Price x Units)	\$,###		
Ploze (Price x Units)	\$,###		\$,###
Further processing costs:			
L-Ten (Further Costs x Units)	\$,###		
Triol (Further Costs x Units)	\$,###		
Ploze (Further Costs x Units)	\$,###		\$,###
Joint processing costs			\$,###
Total gross margin			\$,###

2. Gross margin percentage = Total Gross margin/Total revenue

	L-Ten	Triol	Ploze
Eventual market value	\$,###	\$,###	\$,###
Less: Gross margin Percentage	\$,###	\$,###	\$,###
Cost of goods sold	\$,###	\$,###	\$,###
Less separable costs	\$,###	\$,###	\$,###
Allocated joint cost	\$,###	\$,###	\$,###

CH.8

Schedule 1: Sales budget

	January
Units	###,###
Unit selling price	x \$,##
Sales	\$,###,###

Schedule 2: Production budget

	January
Unit sales (Schedule 1)	###,###
Desired EI	x ###,###
Total needed	###,###
Less: Beginning inventory	###,###
Units produced	###,###

Schedule 3: Direct materials purchases budget

	January	Part A78	Part D22
Units produced	###,###		
Dir. mat. per unit	x ###		
Production needs	###,###		###,###
Des. EI	x ###,###		###,###
Total needed	###,###		###,###
Less: BI	x ###,###		###,###
Dir. mat. to purchase	###,###		###,###
Cost per unit	x \$,##		\$,###
Total purchase cost	\$,###,###		\$,###,###

Schedule 4: Direct labour budget

	January
Units to be produced (Schedule 2)	###,###
Direct labour time per unit (hrs.)	x ##
Total hours needed	###,###
Wages per hour	x \$,##
Total direct labour cost	\$,###,###

Schedule 5: Overhead budget

	January
Budgeted direct labour hours (Schedule 4)	###,###
Variable overhead rate	x \$,##
Budgeted var. overhead	\$,###,###
Budgeted fixed overhead	\$,###,###
Total overhead cost	\$,###,###

Schedule 6: Selling and administrative expense budget

	January	February
Planned sales (Schedule 1)	###,###	###,###
Variable selling and administrative expense per unit (\$1.40 + 2.60 + .60)	x \$,##	x \$,##
Total variable expense	\$,###,###	\$,###,###
Fixed selling and administrative expense:		
Salaries	\$,###,###	\$,###,###
Depreciation	\$,###,###	\$,###,###
Other	\$,###,###	\$,###,###
Total fixed expenses	\$,###,###	\$,###,###
Total selling and administrative expense	\$,###,###	\$,###,###

Schedule 7: Ending finished goods inventory budget

	Units	Cost per Unit	Total Amount
Unit cost computation:			
Direct materials:			
Part A78 (# DM per unit x \$)		\$,###	\$,###
Part D22 (#DM per unit x \$)		\$,###	\$,###
Direct labour (# time per unit x \$)		\$,###	\$,###
Overhead:			
Variable (# time per unit x \$ OH rate)		\$,##	\$,##
Fixed (# time per unit x \$ \$)		\$,##	\$,##
Total unit cost		\$,###	\$,###

*\$##,### Budgeted Oh / ##,### Budgeted DL hrs = \$,###, or \$,## rounded

Finished goods (Schedule 2)	Units	Cost per Unit	Total Amount
	###,###	\$,###	\$,###,###

Ch. 8

Schedule 8: Cost of goods sold budget

Direct materials used (Schedule 3):			
Part A78 (###,### Production needs × \$.\$\$).....	\$\$\$\$, \$\$\$		\$\$\$\$, \$\$\$
Part D22 (###,### Production needs × \$.\$\$)	\$\$\$, \$\$\$		\$\$\$, \$\$\$
Direct labour used (Schedule 4).....		\$\$\$\$, \$\$\$	\$\$\$\$, \$\$\$
Overhead (Schedule 5).....		\$\$\$, \$\$\$	\$\$\$, \$\$\$
Budgeted manufacturing costs		\$\$\$\$, \$\$\$	\$\$\$\$, \$\$\$
Add: Beginning finished goods (##,### × \$.\$.)\$*		\$\$\$, \$\$\$	\$\$\$, \$\$\$
Goods available for sale		\$\$\$\$, \$\$\$	\$\$\$\$, \$\$\$
Less: Ending finished goods (Schedule 7).....		\$\$\$, \$\$\$	\$\$\$, \$\$\$
Budgeted cost of goods sold.....		\$\$\$\$, \$\$\$	\$\$\$\$, \$\$\$

*Assumes that these units cost the same as current quarter's production.

Ch. 9 Three Pronged Graph

Ch 9 - Three Pronged Graph
 AVOH/AFH = Actual Variable/Fixed Overhead
 Budgeted (Standard) Overhead = SVOR × AH
 Applied Variable Overhead = SVOR × SH
 Spending Variance (BVOR - AVOH) Per Favorable
 Efficiency Variance = (Applied VOH - BVOR) Per
 Total VOH Variance (Efficiency Var - Spending Var)
 SH = Units Produced × DL Hours/Unit
 Positive = Favorable

Ch. 8

Schedule 10: Cash budget

	January
Beginning balance.....	\$ 55,555
Cash receipts.....	\$45,555
Total cash available.....	\$101,110
Disbursements:	
Purchases SCH 3.....	\$55,555
DL payroll SCH 4.....	\$55,555
OH SCH 5 Dept 5, \$\$\$	\$55,555
Mgt. & admin SCH 6-Dept. 5	\$55,555
Lands.....	\$55,555
Total disbursements.....	\$317,770
Ending balance.....	\$ (216,660)
Financing:	
Borrowed/repaid.....	\$
Interest paid.....	\$
Ending cash balance.....	\$ (216,660)

Ch. 9 Standard Mix

Standard Mix = Standard Mix Portion × Total Actual Input Quantity

CH. 7 Sales-Value-At-Split-off Method

Sales-Value-At-Split-Off-Method Cornerstone Exercise 7-9

1.						
	Grades	Pounds Produced	Price at Split-Off (per pound)	Total Market Value at Split-Off	Percent of Total Market Value	Allocated \$6,000J Cost
	Grade A	###	\$.\$\$	\$, \$\$\$	%,%,%%	\$, \$\$\$
	Grade B	###	\$.\$\$	\$, \$\$\$	%,%,%%	\$, \$\$\$
	Slices	###	\$.\$\$	\$, \$\$\$	%,%,%%	\$, \$\$\$
	Applesauce	###	\$.\$\$	\$, \$\$\$	%,%,%%	\$, \$\$\$
	Total	###		\$, \$\$\$		\$, \$\$\$

Ch. 8

Schedule 9: Budgeted income statement

Sales (Schedule 1).....	\$, \$\$\$, \$\$\$
Less: Cost of goods sold (Schedule 8).....	\$, \$\$\$, \$\$\$
Gross margin.....	\$, \$\$\$, \$\$\$
Less: Selling and administrative expense (Schedule 6).....	\$, \$\$\$, \$\$\$
Income before income taxes.....	\$, \$\$\$, \$\$\$

Ch.10 EVA

1. After-tax cost of mortgage bonds = Interest rate - (Tax rate × Interest rate) = [##,## - (## × ##,##)] = ##,## After-tax cost of unsecured bonds = Interest rate - (Tax rate × Interest rate) = [##,## - (## × ##,##)] = ##,## Cost of common stock = Return on long-term treasury bonds + Risk premium = ##,## + ##,## = ##,##				
2.				
Mortgage bonds.....	\$, \$\$\$, \$\$\$	%,%,%%	##,##	##,##
Unsecured bonds.....	\$, \$\$\$, \$\$\$	%,%,%%	##,##	##,##
Common stock.....	\$, \$\$\$, \$\$\$	%,%,%%	##,##	##,##
Total.....	\$, \$\$\$, \$\$\$	%,%,%%	##,##	##,##
Weighted average percentage cost of capital = Sum of Weighted Cost ÷ Sum of Total Capital Amount Total dollar amount of capital employed = %,%,%% × \$\$, \$\$\$, \$\$\$ = \$, \$\$\$, \$\$\$				
3. After-tax operating income.....	\$, \$\$\$, \$\$\$			
Less: Total dollar amount of capital employed.....	\$, \$\$\$, \$\$\$			
EVA.....	\$, (\$\$, \$\$\$)			

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 Page 2 of 2.

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